



# Semiannual Report to the Congress

Office of Inspector General

U.S. Department of  
Transportation



October 1, 1999-March 31, 2000

## From the Inspector General

Safety, Efficiency, Mobility. These are key Strategic Goals of the Department of Transportation (DOT), that identify with major accomplishments of DOT's Office of Inspector General in the 6-month period ending March 31, 2000.

The Office of Inspector General (OIG) issued 75 audits on transportation issues during that period, and also presented testimony before Congress on 13 occasions. Topics of testimony included Federal Aviation Administration (FAA) safety, security and modernization; motor-carrier safety; oversight of transportation infrastructure projects, and Amtrak's financial outlook.

Though a great deal of our work is motivated by the promotion of safety, one recent action by Congress speaks directly to that effort: the creation of the new Federal Motor Carrier Safety Administration. With more than 5,000 lives lost per year in the United States in accidents involving large trucks, OIG advised Congress that safety oversight would be strengthened by creation of a new DOT agency dedicated to truck and bus safety.

In the area of efficiency, DOT, the FAA and the Highway Trust Fund have received unqualified, or "clean," audit opinions on their FY 1999 financial statements. Government agencies have been required to perform businesslike accounting in the wake of the 1990 Chief Financial Officers Act. But many agencies, not having had to carry out such functions previously, lacked records or systems to help them balance their books. DOT deserves credit for the hard work that led to its unqualified opinions, but more remains to be done. At the FAA, putting in place a state-of-the-art cost-accounting system would avoid a repeat of the labor-intensive, costly work that made the latest accounting opinion possible.

In the interest of mobility and accountability, OIG has continued its reviews of billion-dollar-plus infrastructure "Megaprojects," including the Boston Central Artery/Ted Williams Tunnel project. Major cost overruns on this most expensive infrastructure project in U.S. history—with a current estimated cost of up to \$13.6 billion—have made the Central Artery an object example of the need for strong federal oversight. OIG has been in the forefront of work to identify true costs and recommend tighter oversight of the project.

In addition to OIG's audit work—which resulted in \$759.9 million in total financial recommendations—OIG's investigative staff joined other federal agencies and law-enforcers in laying groundwork for 140 indictments and 140 convictions, and \$28.4 million in fines, restitutions and recoveries. In the interest of crime detection and—if possible—prevention, OIG is expanding its investigative initiatives against fraud on infrastructure projects, illegal transport of hazardous materials, and trafficking in unapproved aircraft parts.

Kenneth M. Mead

Summary of Performance  
Office of Inspector General  
October 1, 1999-March 31, 2000

Reports Issued	75
Total financial recommendations	\$759,939,000
—That funds be better-used	\$759,600,000
—Questioned costs	\$ 339,000
Referrals for prosecution	162
Cases accepted for prosecution	126
Indictments	140
Fines, restitutions, recoveries	\$ 28,412,241
Convictions	140
Contract terminations/debarments	7
Actions affecting DOT employees	22

Audits and Investigations	1
Focus: DOT's Top 12 Issues	2
Financial Statements	6
Hazardous Materials	8
Chart: Work Planned and in Progress	10
Audit and Investigative Results:	
October 1999	12
November 1999	16
December 1999	20
January 2000	26
February 2000	30
March 2000	34
Organization/Management	42
Chart: OIG Organization	42
Table: Completed Audits	43
Table: Management Decisions	44

# Contents

Table: Reports with Recommendations That Questioned Costs	45
Table: Recommendations That Funds Be Put to Better Use	46
Table: Recommendations for Safety, Economy or Efficiency	47
Table: Status/Unresolved Audit Recommendations	48
Table: Profile of Pending Investigations	49
Table: Judicial Actions	50
Table: Administrative Actions	50
Charts: Audit and Investigative Resource Application	51
Chart: OIG Fiscal Year 2000 Budget	51
Wendell H. Ford Aviation Investment and Reform Act	52
List of Audits	53

# Audits and Investigations

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The Office of Inspector General includes a staff of auditors and evaluators who review the programs and operations of the U.S. Department of Transportation to help its managers, and Congress, improve them. Some audits focus on financial issues; others review the effectiveness of programs. The Inspector General’s staff also includes investigators who build criminal cases against lawbreakers—such as trucking firms that force drivers to work too many hours without rest, haulers who illegally transport hazardous materials, vendors who traffic in illegal, unapproved aircraft parts and Department staff who violate public trust.

Many factors go into determining what to audit. Some audits are required by law. Others are requested by key decisionmakers, such as the Secretary of Transportation, heads of the operating administrations within DOT or Members of Congress. The OIG audit agenda is also based on the past experience of an audited entity, the strategic goals of DOT, and priorities established each year by OIG itself. The Inspector General Act requires the Department to provide the inspector general with all requested information and for the IG to report any instance in which access was denied. No information requested by OIG was withheld by DOT officials during the 6 months covered in this report; however, we had difficulty obtaining accurate, timely information about the Boston Central Artery/Ted Williams Tunnel project from State of Massachusetts officials during the period (see page 30).

Information for OIG investigations also comes from many areas. DOT’s operating administrations and state government officials will refer tips or information about suspicious activity to OIG special agents for investigation. Those agents, often with assistance from other law-enforcement agencies, build the cases.

Another source of investigative direction is the Office of Inspector General hotline, an “800” number that lets citizens—including federal workers—have direct access to OIG staff. The number is **1-(800)-424-9071**. Hotline users are not obliged to disclose their identities and “whistle-blowers” within the government are protected from reprisal by federal law. The hotline staff now can be e-mailed at **hotline@oig.dot.gov**

# Focus:

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*OIG prepared a summary of the 12 most pressing management issues in the Department of Transportation at the request of the Senate Governmental Affairs and Budget Committees, the House Majority Leader and the House Government Reform and Budget Committees. The issues are:*

**1 Aviation Safety** FAA implemented Safer Skies, a program to reduce fatal accident rates, and issued several directives to address the safety of aging aircraft. FAA still needs to focus on quality-control guidance for U.S.-based airlines checking the safety practices of their foreign “code-share” partners; put its new inspection process into full effect; obtain better safety data from air carriers, and speed up the process for issuing new rules. Special focus should be placed on reducing runway incursions and reducing operational errors by air traffic controllers—serious safety hazards. In 1999, there were 322 runway incursions and 999 operational errors.

**2 Surface Transportation Safety** Congress created a new Federal Motor Carrier Safety Administration. In response, the Department set a goal of reducing, by half, deaths in crashes involving large trucks within a decade, and added truck inspectors at the U.S.-Mexico border. Better data are needed in truck-safety oversight, and regulators’ willingness to sanction—including stronger use of shutdown orders against unsafe motor carriers—must be made clear. More foreign trucks need to be inspected and sanctions need to be increased against those found unsafe; oversight of truckers’ hours and commercial drivers’ licensure needs tightening; programs that prevent crashes involving trains and cars need greater emphasis, and pipeline-safety programs should be strengthened.

**Air Traffic Control Modernization** FAA is making progress modernizing the nation’s air-traffic control system and has taken a more incremental approach to some acquisitions. However, major problems persist with multi-billion-dollar systems, such as the Standard Terminal Automation Replacement System, that require extensive software development. FAA must improve contractor accountability and institute cost-control mechanisms such as earned-value management techniques for software-intensive systems. In addition, FAA’s Wide Area Augmentation System—a satellite-based navigation initiative—is experiencing technical problems that have significant cost and schedule implications that have yet to be determined.

# DOT's Top 12 Issues

**FAA Financing and Reauthorization** FAA's budget has increased nearly 75 percent between FY 1988 and FY 2000, and at projected spending levels it will rise another 40 percent by FY 2003. Spending priorities for the next 3 years, set by recently passed legislation, require funding of airport improvements and facilities and equipment before salaries and operations costs are met. Based on FAA's estimates, it could face an operational shortfall of \$7 billion over the next 3 years. It is critical that FAA contain its operations costs. FAA needs improved financial data, a reliable cost-accounting system, and a strategic business plan. FAA must also implement negotiated productivity gains for its air traffic controller workforce.

**Surface, Marine, and Airport Infrastructure** In FY 2000, there will be multi-billion dollar spending on surface, marine, and airport infrastructure. DOT has taken steps to improve oversight of large infrastructure projects, but more needs to be done. This was highlighted when managers of Boston's Central Artery project withheld information from FHWA about \$1.4 billion in cost overruns. Federal grantors must demand complete, accurate data to ensure federal funds are properly used. The Department must strengthen internal controls to ensure project cost estimates are accurate; establish criteria to ensure finance plans are complete; promote "best practices" identified through experience; and take action to deobligate unneeded funds annually. Anti-fraud measures and compliance reviews should also be stepped up.

**Transportation Security** The U.S. transportation system includes 3.9 million miles of public roads, 2.2 million miles of oil and natural-gas pipelines, 123,000 miles of major railroads, more than 24,000 miles of commercially navigable waterways, and more than 5,000 public-use airports. The threat of terrorist and other criminal activities has heightened the need to improve domestic transportation security. FAA has deployed advanced-security technologies and instructed airports and air carriers to tighten access to secured areas. Airports and airlines must work with FAA to ensure comprehensive airport and airplane security, including greater use of baggage-screening equipment and tighter controls on employee-access ID. DOT needs to assess and address potential threats in surface transportation.



# Focus:

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**Computer Security** By presidential directive, the nation’s critical infrastructure—including computers—must be protected from intentional destructive acts. The directive calls for initial protective capability by May 2000 and full capability by May 2003. DOT has begun work to increase such capability, including installation of automated tools to monitor telecommunications network traffic and detect intrusions into computer systems. User authorization to access DOT systems has been reviewed, and accounts will be terminated where they are no longer valid. However, DOT still needs to use risk-assessments to set priorities; ensure protection of critical computer systems; make sure third-party networks connected to DOT systems are secured; and enhance access controls in the Department’s computer-based accounting system.

**Financial Accounting/Chief Financial Officers Act** DOT has prepared consolidated financial statements since 1996, when new federal laws spurred government agencies to function in a more businesslike fashion. But DOT had not yet received an unqualified (“clean”) audit opinion on its statements, largely due to weaknesses in some property and equipment accounts. Significant progress was made in FY 1999, which resulted in a clean opinion on FY 1999 financial statements. These statements show DOT had assets of \$76 billion, liabilities of \$30 billion, and operating costs of \$42 billion. DOT still needs to make major improvements in its accounting systems. DOT should acquire a state-of-the-art management and accounting system and institute integrated property management at FAA. Lacking such improvements, DOT will need to continue the costly, labor-intensive—and in the long-term, unsustainable—effort that produced the FY 1999 results, when such data should be collected as a matter of course.

**Amtrak Financial Viability and Modernization** Amtrak is under a Congressional mandate to end its need for federal operating support after FY 2002. Though Amtrak has made progress toward this goal, its \$907 million in operating losses in 1999 were its largest ever. It must find revenue to compensate for income forgone by the delay in its new high-speed service between Boston and Washington. OIG identified \$692 million in projected revenue, or cost reductions, at risk of not being realized by 2002. More than half that sum is attributable to benefits from yet-to-be-determined management actions which need to be identified and carried out. A multi-billion-dollar backlog of capital investments must be made to prevent deterioration of service in the revenue-producing Northeast Corridor; federal funding issues remain.

# DOT's Top 12 Issues

**Coast Guard Deepwater Replacement Project** This \$9.8 billion-\$15 billion, 20-year project aims to replace all vessels, aircraft and related systems used by the Coast Guard in activities 50 miles or more offshore. The Coast Guard is using an innovative planning process that should provide a good basis for establishing needs and developing an acquisition strategy. However, the Coast Guard needs to fill gaps in the process and respond to concerns about how it can proceed with a request to start buying assets in advance of completing its comprehensive planning process. It still needs to ensure data reliability, develop reliable cost-estimates, avoid problems other agencies have encountered in major-system replacements, and be realistic about competing budget demands from other DOT agencies, notably FAA.

**MARAD's Ship-Scraping Program** The Maritime Administration currently has 110 obsolete ships, and 88 of them are deteriorating and need to be scrapped to prevent release of such hazardous materials as fuel oil, asbestos, polychlorinated biphenyls, lead, radium and chromates into the waters where they are moored. In the past, MARAD sold many such ships internationally, but that practice has halted. Sales of ships for scrapping have declined because the market is limited—the Navy is paying U.S. scrap-pers to take defunct warships. MARAD will not be able to meet a requirement that it scrap at a profit in 2001. MARAD's legal requirements need to be loosened, and it will need authorization and funding to pay for the disposal of its vessels.

11

**Government Performance and Results Act Implementation** GPRA requires federal agencies to develop strategic plans, annual performance plans, and—starting this year—yearly performance reports. DOT's 1999 performance report indicates the Department met, or saw good trends, in 77 percent of its goals, while it did not meet 15 goals; the report dealt explicitly with problems in statistical data used to measure performance. The Department faces challenges getting data and working with third parties, such as states, who carry out work that will be measured as DOT performance.

# Focus:

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*Objective: Helping the Department of Transportation present  
businesslike accounts*

## **Department of Transportation, Highway Trust Fund, Federal Aviation Administration achieve “clean” audit opinions on FY 1999 financial statements**

Early in the year 2000, after 9 years of hard work, the Department of Transportation, including the Highway Trust Fund and the Federal Aviation Administration, posted significant accomplishments in financial management by achieving unqualified, or “clean,” audit opinions on their financial statements. These statements show DOT had assets of \$76 billion, liabilities of \$30 billion, operating costs of \$42 billion, and total budget authority of \$57 billion. However, to avoid repeating the costly and extraordinary effort needed to achieve this worthy goal, DOT needs to put state-of-the-art accounting systems in place.

Financial accounting that meets businesslike standards is now a requirement for federal agencies, since the 1990 passage of the Chief Financial Officers Act and the 1994 adoption of the Government Management Reform Act. Under these laws, annual financial statements have been produced by DOT since FY 1996. The Office of Inspector General audits these statements and delivers an audit opinion on the reliability of the information they contain and whether the statements were created in conformance with generally accepted accounting principles.

In earlier years, OIG found deficiencies in the financial statements of the Department overall, particularly in the property and inventory accounting of the FAA and the U.S. Coast Guard. Starting in FY 1997, we urged FAA and the U.S. Coast Guard to establish accurate records of their property and inventory, which they estimated to be worth \$25 billion. That year we also issued a qualified opinion on the Highway Trust Fund, largely due to a problem outside DOT’s control—the inability of the Department of the Treasury to verify excise-tax revenues that go into that fund. Each year since then the agencies made progress toward a “clean” audit opinion. But until this year, that distinction was withheld from the Departmental and FAA financial statements.

# Financial Statements



Due to concerted effort and cooperation, DOT, the Highway Trust Fund and the FAA earned unqualified audit opinions on their FY 1999 financial statements. We found that the three entities' balance sheets, statements of net cost, statements of changes in net position, statements of budgetary resources, and statements of financing were fairly presented in all material respects and conformed with generally accepted accounting principles. Further, sufficient evidence was offered to support all material line-items. Though we identified weaknesses, they were not so significant as to prevent the overall "clean" designations.

OIG's audits of the FAA's financial statements for FY 1999 and our audit of FAA's property, plant and equipment similarly found documentation adequate and accounting approaches reasonable. However, more work is needed. We urged FAA, which also is developing a cost-accounting system, to make financial management-system improvements to avoid the future need for the extraordinary, expensive, and labor-intensive documentation that made this unqualified opinion possible.

# Focus:

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*Objective: to ensure public safety when hazardous materials are transported by land, sea, and air*

## **Hazmats highlighted in work of special team, three investigations**

A substantial portion of the work done by Office of Inspector General auditors and investigators involves hazardous materials, or “hazmats.” In the U.S., there are about 300 million shipments a year of substances that could pose a threat to public health or safety if improperly handled. Toxic or potentially explosive or flammable substances are used for legitimate purposes every day, but must be moved from their makers to their users in keeping with federal regulations governing proper packaging, labeling, handling, and storage. Violation of these regulations can have tragic consequences.

### **DOT’s Hazmat Program Evaluation**

For a year, a team including OIG auditors and staff of the U.S. Coast Guard, the Federal Aviation Administration, the Federal Motor Carrier Safety Administration, the Federal Railroad Administration and the Research and Special Programs Administration analyzed DOT programs involving hazardous materials transportation and the effectiveness of those programs, as called for in the Department’s Strategic Plan.

The team found:

—that no organization in the Department was responsible for coordinating and overseeing the hazmat programs of the five operating administrations with hazmat responsibilities.



# Hazardous Materials

—that originators of hazardous-materials shipments need more attention, DOT-wide, because they offer the greatest opportunity to improve safety.

—that DOT has not changed the trend of human error being the greatest contributing factor in hazardous-materials incidents.

—that DOT lacks reliable, accurate, and timely data to measure program effectiveness and make informed program-delivery and resource decisions.

The team recommended establishing a new institutional authority in the Department to act as a focal point to administer and deliver a DOT-wide hazardous-materials program. The authority should address intermodal and cross-modal issues to provide more effective use of resources. Further, the team recommended that hazmat shippers receive closer scrutiny, that training standards be strengthened to improve safety practices, and that data-collection and analysis be improved to make the data more useful. The full report is available on the Internet at <http://hazmat.dot.gov/hmpe.htm>

## Hazmat crime

The Department of Transportation Office of Inspector General was instrumental in three major cases involving hazmat violators in the past 6 months:

—The AMR Corp. case, in which the holding company that owns American Airlines admitted to a 5-year pattern of violating hazardous materials regulations in its handling of freight on passenger jets. AMR pleaded guilty to illegally storing the potentially explosive chemical Dioxital for 3 years at Miami International Airport. The holding company was fined \$6 million and also ordered to pay \$2 million to the Miami-Dade County Fire Department hazmat program.

—The SabreTech case, in which a Florida-based aircraft-maintenance firm was convicted of recklessly causing transportation of hazardous materials on an air carrier. Sentencing is pending. Prosecutors alleged the company's actions allowed improperly capped oxygen generators to be loaded on ValuJet Flight 592. The generators were determined to have started a fire that caused the jet to crash May 11, 1996, killing all 110 people on board.

—The Royal Caribbean Cruises Ltd. case, in which the cruise line agreed to pay a record \$18 million fine. Royal Caribbean agreed to plead guilty to multiple felony counts for dumping oil and hazardous chemicals into U.S. waters and lying to the U.S. Coast Guard. The affected jurisdictions were Anchorage, Miami, New York City, Los Angeles, the U.S. Virgin Islands, and Puerto Rico.

# Office of Inspector General—Work Planned and in Progress

*In the interest of maximizing DOT's value to citizens, the Secretary of Transportation has developed a Strategic Plan setting priorities for the appropriate deployment of Departmental staff and other resources. This chart illustrates major OIG work planned and in progress in relation to the Secretary's priorities of Safety, Mobility, Economic Growth and Trade, Human and Natural Environment and National Security.*

## Strategic goal: Safety

- Review the U.S. Coast Guard program overseeing safety of passenger ferries.
- Review FAA's \$40 million annual investment in aircraft safety research, engineering and development, including work to address aging-aircraft issues.
- Review adequacy of controls to ensure that only qualified truck drivers retain commercial drivers' licenses.
- Review enforcement activities of the Federal Motor Carrier Safety Administration.
- Assess the progress of FAA's deployment program for explosives-detection equipment.
- Evaluate effectiveness of FAA's inspection system for makers of aviation fasteners.
- Review railroad safety inspection data maintained by FRA to assess the accuracy of information in its safety-inspection reports and database.
- Review FAA's data and efforts with regard to air traffic control operational errors and deviations, and follow up on FAA actions to reduce runway incursions.
- Pursue OIG investigations affecting transportation safety, including suspected unapproved aircraft parts, motor-carrier safety, and illegal hazmat transports.

## Strategic Goal: Mobility

- Determine whether consumers face barriers when seeking comparative price and service information about air travel and whether airlines fail to disclose overbooked status of flights, and review use of nonrefundable airline tickets.
- Review FAA efforts to modernize the air traffic control system, including the Wide Area Augmentation System, Standard Terminal Automation Replacement System, Oceanic Automation Program, HOST computer system and Free Flight.
- Assess Amtrak's strategic business and capital plans and their effect on Amtrak's ability to achieve operating self-sufficiency by 2003.
- Review airline flight-delay data to determine the extent, nature and causes of flight delays and cancellations.
- Determine the level of air carriers' compliance with the Airline Customer Service Commitment Act.
- Conduct investigations of fraud, waste and abuse in connection with major infrastructure projects.

## Strategic Goal: Economic Growth and Trade

Investigate contract, grant, and procurement fraud.

Conduct fraud-awareness briefings for Federal Highway Administration and Federal Transit Administration officials and for state and local FHWA and FTA grantees.

## Strategic Goal: Human and Natural Environment

Place priority on investigations of hazardous materials violations including participation in Environmental Crime Task Force operations in multiple geographic locations.

Determine whether FAA is using Airport Improvement Funds cost-effectively on noise-mitigation projects.

## Strategic Goal: National Security

Determine whether FRA can effectively inspect up to 600 nuclear shipments per year and whether FRA has inspected alternate rail routes, should their use be necessary.

Assess the effectiveness of the Maritime Administration's internal controls under the Maritime Security Program.

Assist chief information officers throughout the Department enhancing computer security and effectiveness.

Review MARAD internal controls over ship-manager contracts for the Ready-Reserve Fleet.

Review DOT and FAA telecommunication infrastructure for security and user adequacy.

Review the security of the FTA grants-management computer system.

## Corporate Management Goals

Assist DOT financial managers in correcting material weaknesses in accounting systems to continue to achieve unqualified, or "clean," audit opinions on financial statements.

Determine the status of previous recommendations concerning DOT's rulemaking process; identify ways to decrease the length of time DOT takes to issue rules and regulations.

Assess the potential for reducing health-care costs in the U.S. Coast Guard through lower-cost initiatives.

Monitor FAA's progress in developing new personnel-management systems addressing hiring, training, compensation and location of personnel.

Review FAA's efforts to implement its Acquisition Management System.

Determine whether Year-2000 preparation funds provided to DOT were used solely for that purpose



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## **FAA should set policy on use of Threat Image Projection tool for screener training**

In our followup audit on the deployment of explosives detection equipment (report AV-2000-002), we found that FAA had not established policies and procedures for implementing Threat Image Projection (TIP). TIP is a computer-software program used to test airport-screener performance by electronically projecting fictitious images of bags containing bombs on the screens of bulk-explosives-detection machines. FAA had not provided sufficient instructions to air carriers and their screening companies managing the TIP program, or established controls over the use of restricted TIP program passwords. As a result the program was compromised because machine operators were using passwords to access the program and then disable or control it. FAA advised that control of TIP passwords has been attained, and uncompromised versions of TIP images are now resident on scanners.



## **Amtrak: Self-sufficiency possible, but difficult to achieve**

The Inspector General testified about Amtrak's financial viability before the Ground Transportation Subcommittee of the House Transportation and Infrastructure Committee. The OIG assessment of Amtrak's 1999 Strategic Business Plan (report CE-2000-010) leads to the conclusion it is possible—but will be difficult—for Amtrak to achieve operating self-sufficiency. It will depend on Amtrak filling the \$692 million gap OIG identified in Amtrak's 1999 Strategic Business Plan. Further, high-speed rail service in the Northeast Corridor must begin as soon as possible so revenue benefits can accrue in 2001 at a full-service level. Then the service can achieve its full revenue potential in 2003, the first year Amtrak is supposed to achieve operating self-sufficiency. Amtrak also must provide its long-term strategic capital plan to Congress. Life-safety issues need to be addressed in New York's Penn Station and adjoining tunnels.

## **Cruise line pays \$9.5 million in fines for polluting waters of Florida, Alaska**

Royal Caribbean Cruises Ltd. was sentenced, following guilty pleas to charges of making false statements and knowingly discharging pollutants into coastal waters of Alaska and Florida. The pleas cover two of six jurisdictions in which the cruise line has agreed to ultimately pay \$18 million in total fines. In U.S. District Court in Anchorage, the corporation was fined \$6.5 million, assessed \$2,800 in court fees, and sentenced to 5 years' probation. Royal Caribbean admitted it bypassed an "oil/water separator" system meant to prevent discharge of oily pollutants, then made false reports to the U.S. Coast Guard that the system had been in service. A U.S. District Court judge in Miami also levied a fine of \$3 million following Royal Caribbean's admission to illegal discharges, false statements about them and illegal storage of hazardous wastes.

## **Defendants sentenced in \$140 million fuel-tax scam**

Five men charged in a \$140 million fuel-tax-evasion conspiracy with 20 other defendants were sentenced in U.S. District Court in Camden, NJ. They were Ilya Klotsman of Fort Lee, NJ, Anatoly Kogan of Woodside, NY, Gregory Khutorsky of Rocky Point, NY, Aaron Chervin of Brooklyn, NY and Arnold Zeidenfeld of Brooklyn, NY. The sentences ranged from 1 year in jail to \$60,000 in restitution payments. The defendants were involved in a scheme in which hundreds of millions of gallons of home heating oil were purchased tax-free, then resold to a distributor as diesel fuel, which was bootlegged at a profit. The defendants set up sham fuel companies through which the oil was listed on paper as bought and sold, to disguise the tax evasion engaged in by the initial buyer and the final seller. In a separate case with a similar *modus operandi*, Roman Sobalevsky was sentenced to 2-1/2 years' imprisonment for evading \$402,000 in taxes.

## **Alameda Corridor project on schedule; cost-estimate accurate**

The Alameda Corridor project is a 20-mile rail corridor that will consolidate rail traffic between the Ports of Los Angeles and Long Beach and the railyards near downtown Los Angeles. In our review of cost, funding and schedule status and financing risk (report TR-2000-004), we concluded that the \$2.4 billion cost estimate for the project is accurate. However, while the finance plan for the project identifies sufficient funding to meet costs, it does not specify that there are known and accepted funding risks, such as potential impact of a consent decree which may require one of the funding parties to spend as much as \$76 million of the \$355 million it committed for other purposes, and the possibility user fees and port contributions in the future will not cover debt repayment. We also concluded that the project is on schedule and the estimated completion date of December 2002 is reasonable.

## **Company superintendent sentenced in heavy-metal pollution scheme**

Ira Sidney Campbell of Brighton, IL was sentenced to 9 months' home confinement and 3 months of probation for his role in a conspiracy that led to pollution of a Mississippi River tributary. Campbell was superintendent of maintenance for Chemetco, Inc., which operated a smelter near Hartford, IL. For about a decade ending in September 1996, the Chemetco facility discharged pollutants including zinc, lead and cadmium into Long Lake, a tributary of the Mississippi River.

## **Plea entered in sale of substandard**

P.A. International, Inc., an aircraft-parts distributor, pleaded guilty to making false claims. A U.S. District Court judge sentenced the company to pay \$36,725 in restitution to the U.S. Coast Guard and to do business with the government for 3 years. The firm, which received a 3-year probation, falsely claimed its transmission and fasteners were delivered to the Coast Guard.

That model of helicopter is used on search-and-rescue, law-enforcement and environmental missions. P.A. International filled procurement requests issued by the Coast Guard's Aircraft Repair and Supply Center in Elizabeth City, NC.



## **Cylinder-testing firm, owner fined, permanently barred from the business**

Charles Sheffield and City Fire Equipment Co., a firm formerly certified by RSPA to safety-test compressed gas cylinders, were sentenced in Biloxi, MS. Sheffield and the corporation each were fined \$2,500 and sentenced to 3 years' probation by a U.S. District Court judge. As part of the plea agreement, Sheffield is barred from reentering the cylinder-testing business, which is regulated by DOT. Sheffield and the firm had pleaded guilty to violating the Federal Hazardous Materials Transportation Law. Sheffield and City Fire falsely certified that cylinders were tested without performing the required tests. City Fire's retesting certification was revoked by the Research and Special Programs Administration in mid-1999.



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## **Controls, safeguards needed for Mexico-domiciled motor carriers**

Our report (TR-2000-013) concludes that motor carriers domiciled in Mexico are operating improperly in the U.S. and violating U.S. statutes, either by not obtaining operating authority or by operating beyond the scope of their authority. Our report shows that during Fiscal Year 1998, at least 52 Mexico-domiciled motor carriers operated improperly in 20 states beyond the border states and at least 202 operated improperly beyond the commercial zones within the four border states. To ensure that Mexico-domiciled motor carriers comply with U.S. statutes, controls should be established and safeguards enhanced. These should include the verification of registration information, the use of automated data and state safety inspectors to monitor compliance, the implementation of consistent enforcement policies, increased fines, and additional resources.

## **Guilty verdicts in disadvantaged business enterprise fraud trial**

Two Ohio men who orchestrated schemes to defraud the disadvantaged business enterprise (DBE) program were convicted by a federal jury in Wheeling, WV of fraud, obstruction of justice, and perjury. Kermit Bunn of Marietta, head of Bunn Construction, conspired with Charles Striblin of Belpre, who created a "front" firm designated as a DBE to help Bunn obtain contract work on five highway projects worth more than \$747,000. The work purportedly done by Striblin's firm was actually performed by Bunn Construction, which also handled all aspects of the Striblin firm's business including hiring and firing and negotiation of materials contracts. One of Bunn's obstruction counts resulted from his threat against a special agent of the Department of Transportation Office of Inspector General.

## **Prison term, \$55,000 in fines levied for illegal chemical transport, dumping**

Oil-refinery executives John R. Cooke and Donald A. Mullins, and their corporation, M&S Petroleum, Inc., were sentenced for illegally transporting hazardous chemicals and dumping them into the Mississippi River. Also, Barrett Refining Corp. of Vicksburg, MS, which leased the facility to M&S, was sentenced for discharging benzene-contaminated wastewater into the river. Cooke was sentenced to 2 years and 5 months in federal prison, fined \$5,000 and placed on 3 years' supervised release. Mullins was sentenced to 3 years' supervised probation and 150 hours of community service. M&S was fined \$25,000 and placed on 3 years' supervised probation. Barrett Refining was fined \$25,000, ordered to pay for the cleanup of the refinery site, and placed on 5 years' supervised probation.

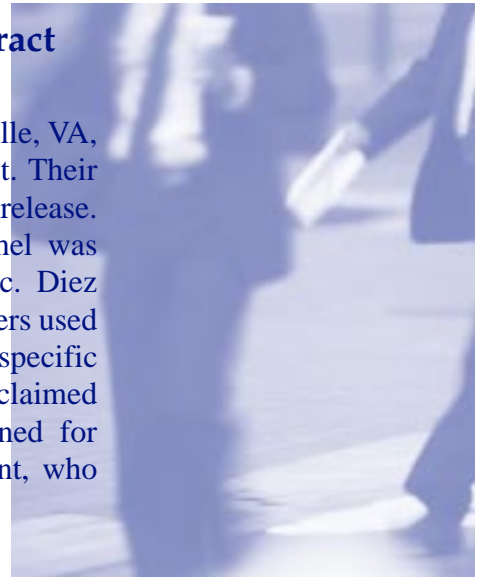
# November 1999

## **Airport access control needs strengthening**

Our audit of controls over access to secure areas of airports (report AV-2000-017) showed FAA has been slow to take actions necessary to strengthen access-control requirements and adequately oversee the implementation of existing controls. Access controls were tested from December 1998 through April 1999 at eight major U.S. airports. In 117 of 173 tests—68 percent of the tests—we successfully entered secure areas by penetrating emergency exits, following airport personnel through access-control points, and penetrating air-cargo facilities. Once we gained access to these secure areas, we boarded aircraft operated by 35 different air carriers 117 times. We found airport operators and air carriers operating at those airports had not successfully implemented procedures for limiting access to, and within, secure airport areas. Employee failure to carry out security responsibilities was found to be the primary cause of access-control weaknesses.

## **Company owners jailed for kickbacks on FAA contract**

Bradley W. Bowen of Vincentown, NJ and John J. Rachel of Nokesville, VA, each were handed a year in jail for violating the Anti-Kickback Act. Their guilty pleas also brought each a \$10,000 fine and 2 years' supervised release. Bowen was part-owner of Diez Management Systems, Inc.; Rachel was owner of the firms RGI, Inc. and Computer Software Engineering, Inc. Diez Management had been awarded a \$2.5 million FAA contract for printers used by air traffic controllers. The contract later was modified to add a specific accessory for \$310,957. Diez Management, through Bowen, falsely claimed Rachel's firms were supplying the accessory, when it was obtained for \$77,700 from another source; Rachel, Bowen and a third defendant, who was convicted and jailed last April, shared the \$220,000 difference.



## **Exporter sentenced for false declarations**

Ronni T. Jensen, export manager for Shipco Transport, Inc. of Hoboken, NJ, was sentenced in U.S. District Court in Newark for making false statements. He pleaded guilty to falsifying export documents. In January 1999, Jensen agreed to accept a package of aircraft parts from a New Jersey parts broker for shipment to a freight forwarder in Dubai. A Customs undercover agent informed Jensen that the final destination of the parts was Iran, a country under a U.S. embargo, and asked that the shipper's name be kept off any export documentation. Jensen, who was fined \$1,000 and placed on 2 years' probation, arranged the shipment and supplied a certification falsely claiming compliance with security requirements.

## **TASC: Provide speedier, more detailed billing**

Our review (report MA-2000-015) showed that the Transportation Administrative Services Center (TASC) established effective procedures to record costs and bill them to departmental components. However, TASC bills were not timely and did not contain sufficient information for recipients to determine if the amounts billed were for services properly authorized and received. An average of 78 days elapsed from the time TASC received a contractor's invoice until TASC billed the departmental component, and bills identified most services only in general terms. In addition, TASC had not established controls to ensure that departmental components do not exceed their spending limits for TASC services as directed in the Conference Report on the FY 1999 DOT Appropriations and reiterated in the House Committee Report on FY 2000 DOT Appropriations. We recommended the Deputy Secretary direct TASC to address these issues.



## **Trash-hauler sentenced in fraud**

Continental Contractors, Inc., and its principal, Paul A. Lanigan, were sentenced following their guilty pleas in a fraud against the government. A U.S. District Court judge in Philadelphia sentenced Lanigan to 2 years' home confinement, 2 years of supervised release, 100 hours of community service, and a fine of \$12,000. The company was sentenced to 1-1/2 years' probation and ordered to pay \$54,000 in restitution and a fine of \$12,000. Continental held the garbage-removal contract for the Philadelphia Navy base. An investigation found that Continental transported the garbage to a solid-waste transfer station that lacked proper permits—violating laws, regulations and the contract provisions.

## **Motor carrier fined \$100,000 for hazardous-materials violations**

Superior Hauling and Fast Transit and Anthony N. Pallme, its vice president, were sentenced for transporting hazardous materials in violation of DOT safety regulations and for lying to Federal Railroad Administration inspectors. A U.S. District Court judge in St. Louis ordered Superior to pay a \$100,000 fine and placed it on 3 years' probation. Pallme was sentenced to pay a \$600 fine and was placed on 2 years' probation. Superior, a regional motor carrier, failed to identify hazardous materials in its shipments that were moved interstate by railroad.

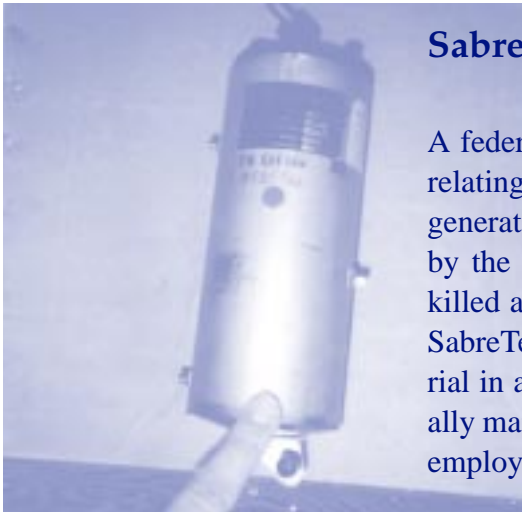




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## The top-priority Department of Transportation management issues

Our report (CE-2000-026), an annual, Congressionally requested listing of top-priority management issues, includes a description of progress made by the Department in the past year and open issues and recommendations. These top issues include aviation safety, surface transportation safety, air traffic control modernization, FAA financing and reauthorization, surface, marine, and airport infrastructure, transportation security, computer security, financial accounting and the Chief Financial Officers Act, Amtrak financial viability and modernization, the Coast Guard's Deepwater Capability Replacement Project, the Maritime Administration's ship-disposal program, and implementation of the Government Performance and Results Act. The Deepwater project and the ship-scraping program are new items since last year; our 1998 highlighting of Year-2000 computer issues was removed because the Department resolved those issues. For a more in-depth look at this issue, see our focus on page 2.



### SabreTech found guilty in ValuJet crash

A federal jury in Miami found SabreTech, Inc. guilty of nine felony counts relating to the corporation's responsibility for the improper loading of oxygen generators. The National Transportation Safety Board found that a fire set off by the generators caused the May 1996 crash of ValuJet Flight 592, which killed all 110 on board; an oxygen generator is shown at left. The jury found SabreTech guilty of recklessly causing the transportation of a hazardous material in an air carrier and willfully failing to provide its employees with federally mandated hazardous materials training. The jury acquitted two SabreTech employees charged in the indictment. A third defendant is still a fugitive.

### AMR Corporation pleads guilty to hazardous-materials violation, pays largest hazmat-violation fine in U.S. aviation history

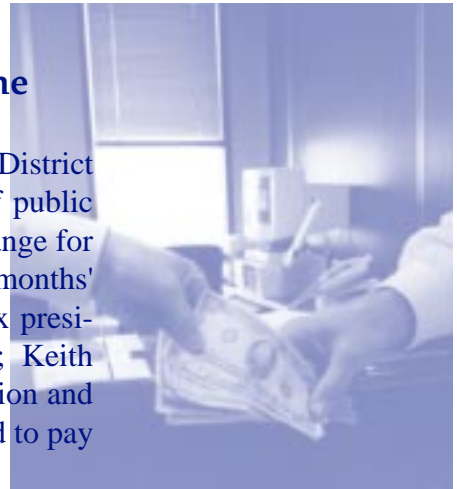
AMR Corp., American Airlines' holding company, pleaded guilty to storing hazardous waste illegally and agreed to pay a fine of \$6 million and pay another \$2 million as community service. The plea, entered in federal court in Miami, marked the first time a major air carrier pleaded guilty and accepted responsibility in a hazardous-waste case. AMR admitted its employees extinguished a July, 1995 fire caused by a chemical spill, then illegally stored the remaining 100 pounds of the chemical at Miami International Airport for more than 3 years. AMR further admitted the violation of the Resource Conservation and Recovery Act was part of a 5-year pattern of conduct. In addition to the \$6 million fine and \$2 million payment to the Miami-Dade County Fire Department's hazardous-materials response unit, AMR must upgrade its security and procedures. The case represents the largest dollar recovery related to hazardous materials in the history of U.S. aviation.

## **Management of Free Flight needs cost-control incentives**

Our report (AV-2000-028) concerns Free Flight Phase 1—initial steps toward giving pilots flexibility to fly more direct paths while maintaining air safety. The first phase is expected to cost about \$722 million through Fiscal Year 2004. Of the total cost, 83 percent will be spent on two new automated controller tools. One, the Center-TRACON Automation System (CTAS) gives controllers suggested sequences for landing aircraft and runway assignments that can increase efficiency. The other, User Request Evaluation Tool (URET), helps controllers analyze airline requests for changes in en-route flight plans. We found that in order to provide early benefits to users, FAA has left little room with both systems for schedule slippage or unexpected problems. FAA is using earned-value management, which compares contract technical progress and costs, to monitor CTAS and URET contractors. However, not all contracts have pricing arrangements giving strong incentives to contractors to control costs.

## **MARAD contractors sentenced in kickback/theft scheme**

Three employees of Triplex Marine Maintenance were sentenced in U.S. District Court in Beaumont, TX on charges of providing kickbacks and theft of public money. The trio had offered kickbacks to Bay Ship Management in exchange for favorable treatment on ship-repair contracts. All were sentenced to 3 months' home detention and 3 years' probation. Further, Donna LeMaire, Triplex president, was ordered to pay \$66,185 in restitution and a \$10,000 fine; Keith Courvelle, Triplex superintendent, was ordered to pay \$67,385 in restitution and a \$10,000 fine; and Danny Weldon, an estimator for the firm, was ordered to pay \$66,185 restitution and a \$5,000 fine.



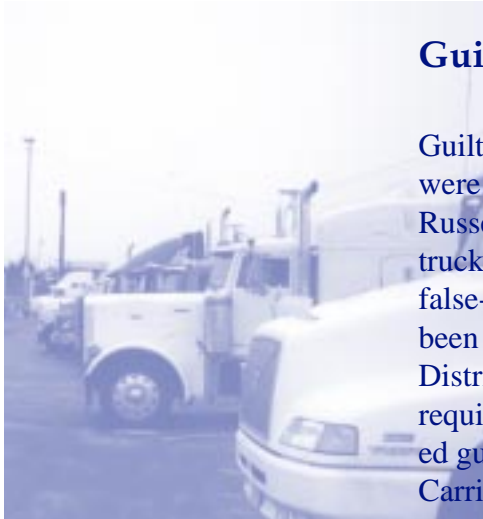
## **Company, president plead guilty in hazardous material air-freight case**

Alpa International, Inc., an air-freight forwarder, and its president, Alejandro Craig, pleaded guilty in U.S. District Court in Miami to charges of willfully delivering hazardous materials to an air carrier in violation of federal hazmat regulations. Craig and other Alpa employees had removed hazardous material labels and wrapped opaque plastic around pallets of petroleum-based toner the firm was attempting to send to Paraguay. Employees of LanChile, the airline slated to carry the shipment, discovered the hazardous nature of the shipment when a pallet had to be broken down to fit in the hold. The investigation found evidence of Craig's personal involvement in the concealment.

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## **Plastics company sentenced for illegal waste transport, dumping**

Professional Technologies, Inc. of Ham Lake, MN, was fined \$25,000 by a U.S. District Court judge in Minneapolis for illegally transporting and dumping 55-gallon drums filled with hazardous waste. The corporation produces plastic products, generating such hazardous wastes as paints, thinners and solvents in the process. Court records show that between 1995 and mid-1998, Professional Technologies collected such waste in 55-gallon drums and illegally trucked it to a farm owned by the president's father. The transports were not properly documented and the participants were not licensed to accept, treat, store, or dispose of hazardous wastes.



## **Guilty pleas entered in false-license case**

Guilty pleas to violations of federal motor-carrier safety regulations were entered by Angus Daniel Senn, Senn Freight Lines, Inc., and Russell Elton Shields. Senn is president of the firm and Shields drove a truck for the company. The corporation was accused of supplying a false-identity commercial driver's license to a driver whose license had been revoked. The corporation and Shields pleaded guilty in U.S. District Court in Greenwood, SC to conspiracy to falsify records required by federal motor-carrier safety regulations. Daniel Senn pleaded guilty to one count of making false statements to the Office of Motor Carriers by maintaining false job-application files for a driver the company did not employ.

## **Californian sentenced in welding fatality**

A sentence of 6 months' home detention and a fine of \$3,000 were handed to a man who ordered a welder to attempt repairs on a cargo tanker at an unauthorized facility. The welder was killed in an explosion. In addition to the fine and confinement, George Granados was placed on 3 years' probation. He had pleaded guilty to conspiracy March 3, following an investigation that revealed neither the welder nor the firm where the death occurred, Atlas Bulk, Inc. of Montebello, CA, were certified to do such welding work.

## **Puerto Rico contractor sentenced in highway fraud**

Redondo Construction Co. and its owner and president Jorge Redondo were sentenced in a highway construction fraud case. The firm was fined \$250,000 and ordered to pay \$750,000 in restitution. Redondo was fined \$250,000 and ordered to serve 6 months' home confinement and another 6 months in a halfway house. Redondo and his firm pleaded guilty to submitting false reports claiming that excavation work on the Jesus T. Pineiro Expressway had been completed, when it had not been. The company is barred from bidding on federal highway projects for a year.

## **FAA: improve methods, upgrade data needed to calculate aircraft overflight costs**

In our report (FE-2000-024), we found improvements were needed in the FAA cost-accounting system and procedures used to estimate costs of providing air traffic control for "overflights." Overflights are aircraft that fly in U.S.-controlled airspace, but do not take off from, or land in, the United States. FAA is developing a cost-accounting system. The agency determined costs related to overflights were about \$32 million for Fiscal Year (FY) 1998, or about 1.3 percent of the \$2.5 billion spent by the en-route and oceanic control centers that handle such air traffic. FAA estimated about 242,000 overflights occurred within U.S.-controlled airspace for FY 1998. Before FAA establishes overflight fees, it should develop costs using the more current and accurate FY 1999 cost and flight data, and improve its methods for collecting these data.

## **Former government manager pleads guilty to contracting conflict-of-interest**

H. David Reed of Carlisle, MA, a former employee of the Research and Special Programs Administration, pleaded guilty in U.S. District Court in Boston to a conflict-of-interest charge. While chief of the Advanced Development Concepts Division at the Volpe National Transportation Systems Center, Reed and others organized a privately held technology company. Reed tried to develop a private business relationship with a contractor working for the Volpe center, unlawfully participating personally, as a government officer, in the contract. He was sentenced to 2 years' probation and a \$1,000 fine. As a condition of his sentence, Reed was required to retire from his position at Volpe.

## **Transportation agency returns \$1.7 million to state DOT**

A transit agency in Vancouver, WA returned \$1.74 million to the Washington State Department of Transportation after an OIG investigation showed the funds were used in a prohibited fashion. CTRAN (Clark County Public Benefit Transportation Area) returned the funds after a probe showed CTRAN made right-of-way acquisitions based on the value the properties would have following future improvements by the owners. Federal regulations require that the acquisition cost be based on the current value of the property. The improvements cited by the property owners had not been made when CTRAN acquired the property.



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## **Three sentenced in kickback scheme involving Navy subcontracts**

Joseph Wing, a former Maritime Administration employee, was sentenced on tax charges after receiving approximately \$60,000 to recommend a firm for a subcontract award. Wing was fined \$2,000 by a U.S. District Court in Boston and placed on 2 years' probation. He pleaded guilty to filing a false income tax return. Prosecutors alleged that Wing accepted \$60,000 from Boston Ship Repair to recommend that firm to an executive of Bay Ship Management Co., which was awarding Navy subcontracts. Wing, who failed to report the money as income, also must pay back taxes and penalties expected to total more than \$40,000. In a related case, two New York principals of Boston Ship Repair—Stephen DiLeo and Harry Nicholson—each were sentenced to a year in jail and fined \$30,000 for paying kickbacks to a Bay Ship Management official.

## **Airport worker pleads guilty in security breach**

Ricky B. Garner, an employee of a commercial airline, pleaded guilty to security violations in U.S. District Court in Dallas. Garner admitted he fraudulently used his airport security badge to enter a secure area of the Dallas Fort-Worth International Airport without being screened by security, to illegally transport 10 kilograms of cocaine onboard an American Airlines flight. According to the terms of the plea agreement—and subject to the concurrence of the sentencing judge—Garner will be sentenced to 5 years in prison followed by 3 years' supervised release.

## **Trucking company, three owners sentenced in phony logs case**

A Grand Rapids, MI-based trucking firm and its owners were sentenced for violating federal trucking regulations and misleading federal safety inspectors. W.B. Produce Haulers Inc., and owners Gary Berenbrock, Aletha Curtis and William Berenbrock, Jr. were charged with conspiracy to make false statements to the Department of Transportation. They oversaw violations of federal trucking regulations by using "ghost" drivers and hid records from Federal Motor Carrier Safety Administration inspectors. The corporation was fined \$28,400 and placed on a year's probation; it must reimburse the government \$42,000. William Berenbrock, Jr. and Aletha Curtis each face 4 months' electronic monitoring, a fine of \$1,050, 100 hours of community service and a year of probation. Gary Berenbrock must pay a \$2,100 fine, perform 100 hours of community service and serve a year of probation.

## Three sentenced for illegally shipping hazardous materials

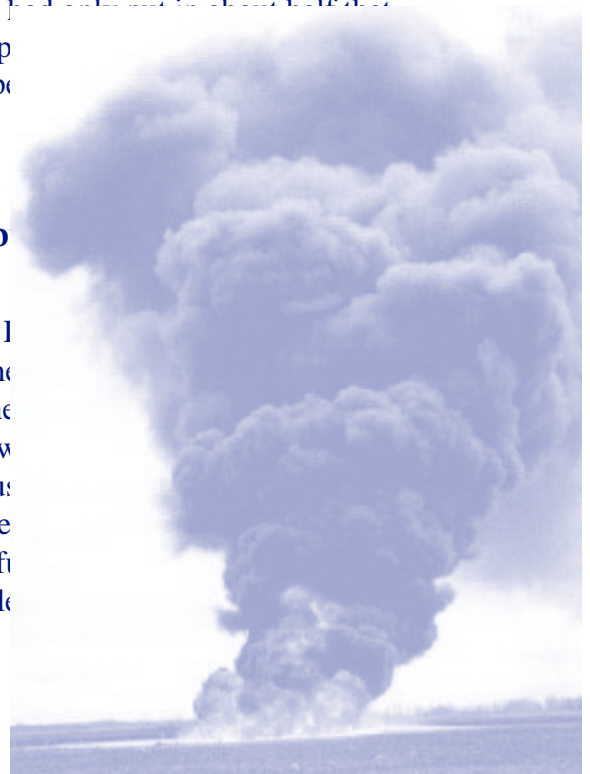
Three men were sentenced in U.S. District Court in Tallahassee, FL for conspiracy to deliver hazardous materials to an air carrier. Phillip Hinton, Jeffrey Sherman, and Adam Worobec were involved in a scheme that offered kits for sale over the Internet which contained chemicals used to manufacture gamma hydroxybutyrate or GHB, commonly known as the "date-rape drug." The defendants shipped the kits via air carrier without declaring that the packages contained dangerous goods. Sherman was handed a year in jail, a fine of \$1,100 and 3 years' probation. Hinton and Worobec each were fined \$1,100 and sentenced to 3 months' home detention and 3 years' probation. All three men also were sentenced on state charges of possession with intent to distribute GHB. Hinton got another 3 months in jail and a fine of \$1,333; Worobec was ordered jailed another 9 months. Sherman was placed on probation in the state case.

## Flight instructor pleads guilty, student pilot sentenced for log falsification

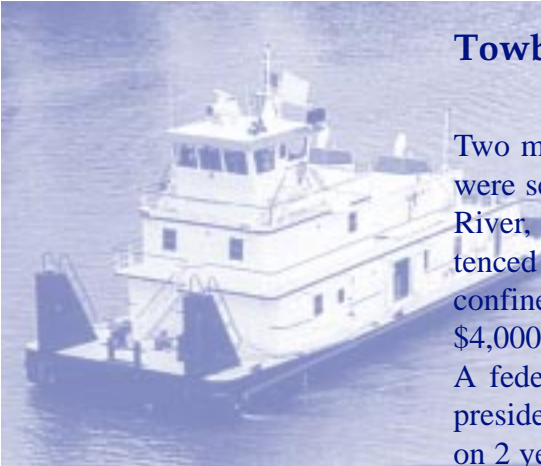
A U.S. District Court judge in Fort Worth sentenced student pilot Yasir Naser Balbaid for falsifying his pilot's logbook. Balbaid was fined \$3,600, required to perform 200 hours of community service and placed on probation for 3 years. Balbaid admitted to the falsification, indicating he had flown 250 hours as required to receive a multi-engine commercial pilot's certificate, when he had only flown about half that time. Englebert D'Souza, Balbaid's flight instructor, pleaded guilty to the falsification of Balbaid's pilot logbook. The FAA suspends his certificate for a year.

## Excavating company sentenced in oil-spill case

A federal judge in Minneapolis fined Plummer Excavating, Inc. and sentenced it to serve 3 years' probation. Last April, the company was charged with violation of the Clean Water Act following the rupture of a crude oil pipeline by a company employee, who was ordered by a higher-up to cover up the accident. The pipe break caused millions of gallons of oil to leak into the Clearwater River and forced the evacuation of the town of Plummer, under threat from the oil leak, noxious fumes and a subsequent fire. Approximately \$3 million has been spent to clean up the environmental damage.







## **Towboat captains fined for polluting Ohio River**

Two men who captained towboats for M/G Transport Services Inc. were sentenced for dumping oil waste and bilge slops into the Ohio River, polluting it. A U. S. District Court judge in Cincinnati sentenced Robert Montgomery and Fred Moorehead to 120 days' home confinement and 6 years' probation. Moorehead also was fined \$4,000, and Montgomery \$2,000, for violating the Clean Water Act. A federal judge previously fined M/G Transport Services and its president, Harschel Thomasee, \$155,000 and placed the corporation on 2 years' probation.

## **Two sentenced in fraud involving \$1.8 million contract**

Two officers of a New Jersey construction firm pleaded guilty and were sentenced to home confinement, community service and fines for making false claims to land a Coast Guard construction contract. Gothrie Short Jr., president of Tri-Gems Builders, Inc., and Jason D. Griffin, another officer of the firm, were accused of misrepresenting their profit and claiming their employees would perform sufficient work as required by the Minority Enterprise Development Program in order to be involved in the \$1.8 million renovation and expansion of a Coast Guard child-care center in Cape May, NJ. Short and Griffin both were sentenced to 6 months' home confinement, 3 years' probation, 200 hours of community service, and fines of \$10,000 each. Short also paid \$210,000 in restitution to the Coast Guard, and Griffin paid \$105,000.

## **Former MARAD employee sentenced for accepting gratuities**

Former Maritime Administration employee Warren Hilton was sentenced in U.S. District Court in Beaumont, TX for accepting gratuities. Hilton, formerly a marine surveyor at the Beaumont Reserve Fleet office, will be jailed 4 months, serve another 4 months' home detention, and pay \$7,460 in restitution for accepting gratuities from a government contractor. He also will be placed on a year of supervised release. In July, Hilton pleaded guilty, admitting he received a color television, a video-cassette recorder, and other items from CBH Services, Inc., a MARAD subcontractor. Costs of these gratuities were concealed in invoices submitted to MARAD to cover costs of repairing government vessels.



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## **Boston Central Artery cost now \$13.1 billion; greater due diligence needed in management**

OIG is conducting ongoing oversight of the Boston Central Artery project, which will place several miles of elevated highway below ground level. FHWA's executive director and the Central Artery project manager took exception to the finding in our latest report (TR-2000-050) that costs could rise if construction cost growth trends are not controlled. However, February 1 the Massachusetts Turnpike Authority announced a \$1.4 billion cost increase, bringing total project costs to \$13.1 billion. These extra costs were not identified in the project's finance plan or in response to our latest audit, showing a lack of management due diligence. FHWA should require project managers to identify funds or cuts to meet shortfalls, and FHWA needs to ensure more complete financial reporting on the project. February 17, the Secretary of Transportation accepted an FHWA plan that will implement all our latest report recommendations and spur a task-force review of FHWA's project oversight.

## **Federal Highway Administration official, wife guilty in bribery case**

Federal Highway Administration engineer James Clark pleaded guilty to bribery and wire fraud in U.S. District Court in Alexandria, VA. His wife, Brenda Clark, pleaded guilty to a kickback charge. James Clark had authority over FHWA contractors who did transportation research and engineering under multi-million dollar government contracts. In return for awarding contracts, the Clarks solicited and received approximately \$150,000 in personal loans and consulting contracts, using a series of pass-through companies and a business name to conceal their activity. James Clark faces up to 20 years' imprisonment and a fine of up to \$500,000. His wife faces up to 5 years in prison and a fine of up to \$250,000. OIG and the FBI investigated.

## **Fiscal Year 1999 financial statements for FAA achieve unqualified status**

In our audit (report FE-2000-060) of the Federal Aviation Administration's Fiscal Year 1999 financial statements, we delivered an unqualified ("clean") audit opinion despite the identification of five areas involving weaknesses in internal controls and compliance with laws and regulations. Overall, FAA's balance sheet, statement of net cost, statement of changes in net position, statement of budgetary resources, and statement of financing for the covered period were fairly presented in all material respects and were in conformance with generally accepted accounting principles. During FY 1999, FAA overcame major problems with its financial records, allowing it to provide sufficient evidence supporting all material lines on the FY 1999 financial statements. However, FAA needs to make financial management system improvements to avoid the need for the extraordinary, expensive, and labor-intensive documentation that made this unqualified opinion possible.

## **FY 1999 financial statements for Highway Trust Fund achieve “clean” audit status**

Our report (FE-2000-056) delivered an unqualified (“clean”) audit opinion on the Fiscal Year 1999 financial statements of the Department of Transportation’s Highway Trust Fund. We found that the balance sheet, statement of net cost, statement of changes in net position, statement of budgetary resources, and statement of financing were fairly presented in all material respects and conformed with generally accepted accounting principles. During FY 1999, the Highway Trust Fund agencies overcame major problems with the statement of budgetary resources and statement of financing to achieve this “clean” audit opinion. The agencies provided sufficient evidence to support all material line-items. We identified four areas involving weaknesses in internal controls and compliance with laws and regulations. While these issues are important, they do not affect our overall opinion.

## **Modernizing the Federal Aviation Administration: OIG testimony**

The Inspector General testified before the U.S. Senate Committee on the Budget and the Senate’s Subcommittee on Transportation and Related Agencies, Committee on Appropriations. The topics were restructuring FAA, progress with acquisition and personnel reform, and FAA finances. FAA’s air traffic control modernization efforts and airport capacity have not kept pace with demand for air travel. There are proposals to restructure FAA air-traffic functions to perform more like a business, and to increase funding for modernization and airport- improvement programs. If Congress decides to move toward commercialization, it must be done gradually and in a limited environment, such as oceanic air traffic control. Regarding cost-control, FAA should make contractors more accountable and address human factors earlier in the development and acquisition process. We urged FAA to implement a cost-accounting system and develop a strategic business plan.



## **Audit spurs recovery of \$1.6 million in FHWA grant overpayments**

OIG (report FE-2000-053) audited Federal Highway Administration payments to the states of Virginia, California, New York, Pennsylvania, and Georgia during FY 1999. These states account for about 20 percent of highway maintenance and construction costs. We found such costs were valid, and supported by vendor invoices or appropriate reports in 109 of the 110 transactions reviewed. The final transaction revealed a duplicate payment to the State of Georgia. Closer review in cooperation with state officials revealed 42 duplicate payments, totaling \$1.6 million, between July 12 and November 23, 1999; these were found to have resulted from installation of a new computer system in response to Year-2000 concerns and from weaknesses in controls over the FHWA billing process. The duplicate funds were recovered, and officials of FHWA and the state of Georgia are taking corrective actions to prevent future duplicate payments.

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## **Review of FAA's HOST and Oceanic computer-system replacement**

Our review (AV-2000-042) looked at FAA's work to date on replacement of its HOST and Oceanic air traffic control computers. FAA completed Phase 1 of the replacement program on schedule, meeting an extremely tight timeframe. Controllers at 20 domestic en-route centers and 3 oceanic and off-shore sites have new computers. While there have been 28 HOST outages since the new computers were operational, none were caused by new computer hardware or software. FAA still needs to complete the four-phase replacement program. Phase 2 upgrades software to improve the efficiency of new processors, and software development is complete for en route, and nearly complete for Oceanic. Phases 3 and 4 will replace such aging peripheral equipment as printers, storage devices, and tape drives, which can cause unscheduled system outages if they fail. FAA must set priorities and define funding needs for Phases 3 and 4.

## **Truck driver incarcerated in manslaughter case**

A state court in Portland, ME sentenced former truck driver Michael J. Rogers to 5 years' imprisonment and a fine of \$3,000, plus 4 years' probation, in connection with a fatal March 1999 accident. Rogers, who admitted he was driving fatigued on the Maine Turnpike when the accident occurred, must also surrender his commercial driver's license and perform 200 hours of community service; the court suspended 4 years of his sentence and will give him credit for time served on the remainder. He pleaded guilty to manslaughter, reckless conduct with a dangerous weapon (a tractor-trailer), maintaining a false driver's log and failure to maintain records.

## **Coast Guard actuarial model approved**

The report (FE-2000-041) reviews the U.S. Coast Guard actuarial model for estimating liabilities for retired pay and medical benefits. The study was conducted by the Hay Group, under contract with the Office of Inspector General, as part of our audit of the Department of Transportation Fiscal Year (FY) 1999 consolidated financial statements. The study was to determine whether the methodology used by the Coast Guard contractor to calculate liabilities and annual actuarial activity of the Coast Guard military retirement system was reasonable and reliable as of September 30, 1998. The Hay Group concluded the methodology was reasonable and reliable.

# February 2000

## **OIG testimony: Amtrak financial viability and modernization**

In testimony before the U.S. Senate Committee on Commerce, Science and Transportation's Subcommittee on Surface Transportation and Merchant Marine (report CE-2000-055), the Inspector General discussed Amtrak's Congressional mandate to end its need for federal operating support after FY 2002. Self-sufficiency still appeared possible, although the delays in Amtrak's Acela Express service posed additional obstacles. Amtrak's success will hinge on its aggressive pursuit of projects such as the service improvements identified in its Market-Based Network Analysis, and implementing fast, reliable high-speed rail service between Boston and Washington. Though Amtrak has made progress toward the goal, its \$916 million in audited operating losses in 1999 were its largest ever. Although systemwide passenger revenue grew by nearly 6 percent in 1999, it was about 3 percent short of Amtrak's goal. A multi-billion-dollar backlog of capital investments must be addressed to prevent deterioration of service in the revenue-producing Northeast Corridor, and \$654 million in life-safety issues in Penn Station and the East River and Hudson River tunnels must be addressed.

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## **DOT wins "clean" designation on Fiscal Year 1999 financial statements**

Due to extraordinary efforts in the past 2 years, DOT was able to provide evidence supporting all material line-items on its FY 1999 Consolidated Financial Statements (report FE-2000-062), thereby earning DOT its first "clean" audit opinion. The Department's chief financial officers and the many DOT employees who worked on this important effort are to be commended. DOT still needs a state-of-the-art Departmental financial management and accounting system and an integrated property-management system for FAA.

## **Budgetary game plan needed for the Coast Guard's Deepwater modernization project**

We concluded (report MA-2000-065) that the Deepwater Project planning process for replacement of Coast Guard ships and other assets is sound and that the Coast Guard took actions to strengthen the process in response to recommendations by the Office of Management and Budget and the General Accounting Office. However, significant data gaps need to be filled before the planning process ends. The question is not whether the Deepwater assets have to be replaced or modernized but how, when, and at what cost. We recommended that the Coast Guard develop a strategy for justifying the expected \$350 million FY 2002 budget request, because the planning process will not be complete in time to prepare the justification. In order to ensure continuity in project management, we recommended that the Coast Guard consider the need for civilian staffing at the senior-management level.

## **FAA contractor sentenced for false claims conspiracy**

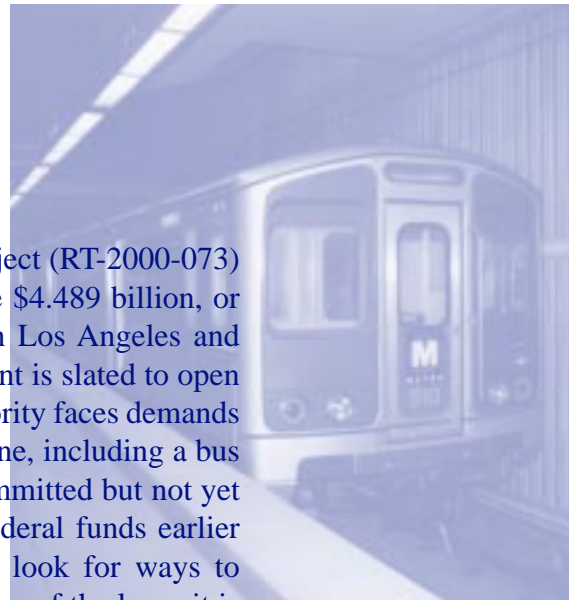
A Florida construction-company owner was ordered jailed for a year and fined \$30,000 for conspiracy to pad invoices on a government renovation contract. A U.S. District Court judge in Miami also ordered 3 years' supervised release for Eric Pitchman, owner and president of Max South Construction. Pitchman's company was under contract with the FAA to renovate an air-traffic-control center in Miami.

## **Maritime ship-scraping requirements need revision**

Our report (MA-2000-067) analyzes the challenge faced by the Department and the Congress in determining how to dispose of MARAD's fleet of environmentally dangerous vessels in a timely manner. MARAD will not achieve the legislative mandate to dispose of its obsolete vessels by 2001, nor will the disposals yield financial benefits to the United States. MARAD will need relief from these requirements. Selling obsolete vessels for scrapping is not likely to work in today's marketplace. Overseas sales have halted, there is limited domestic scrapping capacity, and the Navy is paying to have its combat ships scrapped. We concluded that MARAD will need authorization and funding to pay for the disposal of vessels if it is to significantly reduce the number of obsolete vessels in the fleet.

## **Los Angeles Red Line shows progress, but MTA must show funding ability**

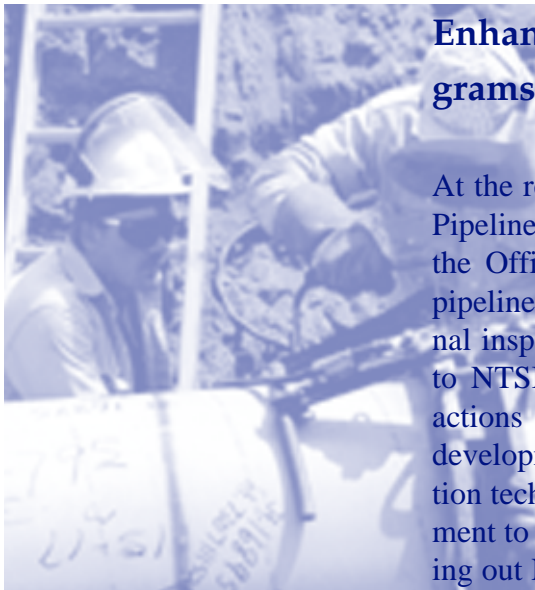
In our latest review of the Los Angeles Metro Rail Red Line project (RT-2000-073) we noted that the full cost of the project now is estimated to be \$4.489 billion, or \$482 million higher than the original estimate. The Downtown Los Angeles and Wilshire Center segments are open; the North Hollywood segment is slated to open in June, 6 months early. However, the Metropolitan Transit Authority faces demands on its resources that could affect its ability to operate the Red Line, including a bus riders' lawsuit for more service, \$99 million in federal funds committed but not yet appropriated, and the potential need to return \$76 million in federal funds earlier earmarked for two suspended segments. The authority should look for ways to reduce costs and delay expansion decisions until the final outcome of the lawsuit is known.



## **Inspector General testifies on motor-carrier safety**

The Inspector General testified before the House Subcommittee on Transportation of the Committee on Appropriations about the new Federal Motor Carrier Safety Administration's progress in improving motor-carrier safety. Since we last testified on that topic, the Department has placed emphasis on enforcement efforts. Compliance reviews have increased, most carriers identified as high-risk have been reviewed, and civil penalties have increased. However, the leadership needed to give direction to the new FMCSA is not in place. Further, inspection resources at southern border crossings are inadequate; the TEA-21 mandatory shutdown provision for unfit carriers is not being used effectively; and rulemakings take too long. In addition, federal oversight of the commercial drivers' license program has not yet dealt with significant problems. Some states still need to pass legislation implementing federal requirements and end programs that conceal violations and provide for special licenses.





## **Enhance RSPA's pipeline-safety and inspection programs**

At the request of Sen. Patty Murray of Washington, OIG reviewed RSPA's Pipeline Safety Program. The report (RT-2000-069) notes actions taken by the Office of Pipeline Safety in response to Congressional mandates on pipeline safety. It also addresses current research and development on internal inspection devices, the need for sufficient accident data, and responses to NTSB recommendations. The audit recommends that RSPA complete actions required by Congress, expand the focus of pipeline research and development, train Office of Pipeline Safety inspectors on pipeline-inspection technologies, revise the collection of accident data and related enforcement to ensure accurate reports from operators, and set timetables for carrying out NTSB safety recommendations.

## **DOT needs to provide effective, independent oversight of major infrastructure projects**

The Deputy Inspector General testified (report RT-2000-063) before the House Committee on Appropriations' Subcommittee on Transportation about DOT oversight of major transportation construction projects. The testimony focused on three points. We addressed the Federal Transit Administration's use of full-funding grant agreements, which have effectively limited the federal government's financial risks and promoted accountability for transit projects; the need for better guidance on finance plans, some of which currently offer little of use to grantors or oversight agencies; and the need for DOT to provide effective, independent oversight of major projects.

## **OIG testifies on management oversight issues**

The Inspector General testified on major management issues facing DOT before the Subcommittee on Transportation of the Senate Appropriations Committee (report TW-2000-064). These issues include aviation safety, surface transportation safety, air traffic control modernization, FAA financing and reauthorization, surface, marine, and airport infrastructure, transportation security, computer security, financial accounting and the Chief Financial Officers Act, Amtrak financial viability and modernization, the Coast Guard's Deepwater Capability Replacement Project, the Maritime Administration's ship-disposal program, and implementation of the Government Performance and Results Act. The Deepwater project and the ship-scraping program are new items since last year; our 1998 highlighting of Year-2000 computer issues was removed because the Department resolved those issues. We also outlined our ongoing work, at the request of Congress, analyzing airline flight delays, airline pricing, and customer service.

## **Airline, freight forwarder plead guilty to obstruction of post-crash probe**

Cargo air-carrier Fine Air Services Inc. and freight forwarder Aeromar Airlines pleaded guilty in U.S. District Court in Miami to obstruction of justice and making false statements in response to a probe following a Fine Air cargo-jet crash in August 1997. Employees of the firms discarded and altered documents, and destroyed a videotape showing placement of cargo pallets on the crashed aircraft. Under the plea agreement, Fine Air will pay a criminal fine of \$3.5 million and Aeromar will pay a fine of \$1.5 million; both firms must serve 4-year supervised probations and institute air-safety programs subject to review by the court and probation office.

## **Quality, inconsistency of DOT data leads to improvements**

OIG was asked to testify before Congress (report FE-2000-071) on the quality of program data used by the U.S. Department of Transportation. Decisionmaking relies on access to good data, and in DOT good data are key to ensuring the safety of the traveling public. We found that the quality of DOT's extensive data varies considerably, and in some cases reflects lack of completeness, accuracy or timeliness. We also found DOT's ability to collect good data is hindered by inconsistent definitions, poor input into collection systems, and extensive reliance on such third parties as states, transit authorities, airports, and private firms that operate airlines, railroads and pipelines. In recognition of the importance of reliable data, the Department has improved its financial data, and the Deputy Secretary has established a committee on transportation statistics. Its goal is improvement of DOT data quality.

## **Airport security contractor must pay \$110,000 for falsifying employee background checks**

Aviation Safeguards of Florida, Inc. was ordered to pay \$110,000 in fines and restitution, and placed on 2 years' probation, after pleading guilty in Miami Federal court to making false statements to FAA. The firm falsely certified on at least 70 occasions that criminal background checks had been made on employees seeking access to secure areas at Miami International Airport. As a result, some employees were hired who might have presented a security risk to the traveling public. Aviation Safeguards' former general manager separately pleaded guilty to 22 felony counts of making false statements to FAA; he was sentenced last April to more than 5 years' imprisonment for those crimes and an unrelated sex case.

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## **FAA's FY 2001 Request for Research, Engineering, and Development**

The Assistant Inspector General for Auditing testified before the House Subcommittee on Technology, Committee on Science, on FAA's research, engineering, and development program (report AV-2000-054). The program plays an important role in developing new technologies for aviation safety, air traffic control capacity enhancement, and security. Discussed were changes in the nature of FAA's research and development efforts and how they are financed; government-wide cooperation and coordination on aviation research; FAA's aircraft-safety research efforts; and the continued need for human-factors work in developing new safety, capacity, and security technologies.

### **Illinois commercial driver-licensing prosecutions continue**

As the ongoing commercial driver-licensing corruption probe dubbed "Operation Safe Road" continued in Illinois, 22 defendants saw action during the 6 months covered by this report. A total of 30 people have been charged in connection with the conspiracy, in which more than 250 unqualified applicants for truck and bus licenses were waved through Illinois Secretary of State facilities without required testing, in exchange for hundreds of thousands of dollars in bribes. Two of those charged remain under indictment only; eight more entered guilty pleas to various charges. Twelve were handed sentences ranging from 4 months' home confinement to a year and a half in prison, plus community service. One driver licensed under the scheme was involved in a fiery accident near Milwaukee that killed six children. It was determined that much of the bribe money was directed to political fundraising.

### **State transportation department pays \$300,000 fine in fraud case**

The Washington State Department of Transportation paid \$300,000 to the federal government in a settlement agreement filed in U.S. District Court in Seattle, for obtaining federal excess property. The state agency wrongfully obtained approximately \$5 million in property by using the Federal Highway Administration's property screening authority. The investigation revealed that employees of the Washington DOT converted a substantial amount of the property for personal use.

## **Coast Guard needs justification strategy for asset-replacement plan**

In testimony before the U.S. House Committee on Appropriations' Subcommittee on Transportation and Related Agencies and the U.S. House Transportation and Infrastructure Committee's Subcommittee on Coast Guard and Maritime Transportation, we concluded (reports MA-2000-057 and MA-2000-066), that the Deepwater Project planning process for replacement of Coast Guard ships and other assets is appropriate and that the Coast Guard improved the process, reacting to recommendations by the Office of Management and Budget and the General Accounting Office. However, significant data gaps remain and should be filled before the planning process ends. The assets will need replacement, but questions remain about how, when, and at what cost. We recommended that the Coast Guard develop a strategy for justifying the expected \$350 million FY 2002 budget request, because the planning process will not be complete in time to prepare the justification. We also recommended that the Coast Guard consider the need for civilian staffing at the senior-management level.

## **OIG testifies on Amtrak**

In testimony before the U.S. House Appropriations Committee's Subcommittee on Transportation and Related Agencies (CE-2000-068), the Inspector General presented OIG's views on Amtrak's Fiscal Year 1999 and first-quarter 2000 financial results. Five months into FY 2000, it appeared possible that Amtrak still could achieve operating self-sufficiency, although the delays in Acela Express service posed additional obstacles. Amtrak's audited 1999 operating loss of \$916 million, including depreciation, was \$56 million more than its 1998 loss and the largest in Amtrak history. On the positive side, Amtrak's systemwide passenger revenue grew by almost 6 percent in 1999. That was short of Amtrak's goals by \$31 million, or about 3 percent. Separately, \$654 million in life-safety needs in New York's Penn Station and Hudson/East River tunnels must be addressed.

## **Inspector General testifies on key safety, modernization and financial issues facing FAA**

In testimony (report AV-2000-072) before the U.S. House Appropriations Committee's Subcommittee on Transportation and Related Agencies, the Inspector General discussed FAA issues including its FY 2001 budget request—\$11.2 billion, an increase of 12 percent over the previous year—along with safety and modernization. FAA must contain its operations costs because recently passed legislation requires funding of airport improvements and facilities and equipment before salaries and operations costs are met. It also needs to underscore its commitment to safety by reducing near-collisions on runways (runway incursions) and operational errors by air traffic controllers, and by implementing guidelines for U.S.-based air carriers to follow in assessing the safety of their foreign code-share partners. Two key air traffic control modernization programs—the Wide Area Augmentation System and the Standard Terminal Automation Replacement System—continue to have schedule delays and cost increases, adding to their estimated \$4 billion price tag.

## **OIG testifies on potential aviation security improvements**

In testimony before the U.S. House Transportation and Infrastructure Committee's Subcommittee on Aviation (report AV-2000-070), the Assistant Inspector General for Auditing discussed technology improving screener performance, employee background checks, access to secure airport areas, and strategic security plans. FAA has increased its use of a computer program used to keep baggage-screeners focused on threats, but needs to increase screener training and expand the use of some baggage-screening equipment. Background checks on prospective employees can, and should, be more extensive, and employees need to be held responsible for their roles in keeping limited-access areas secure. FAA needs to create an integrated strategic security plan to guide its work.

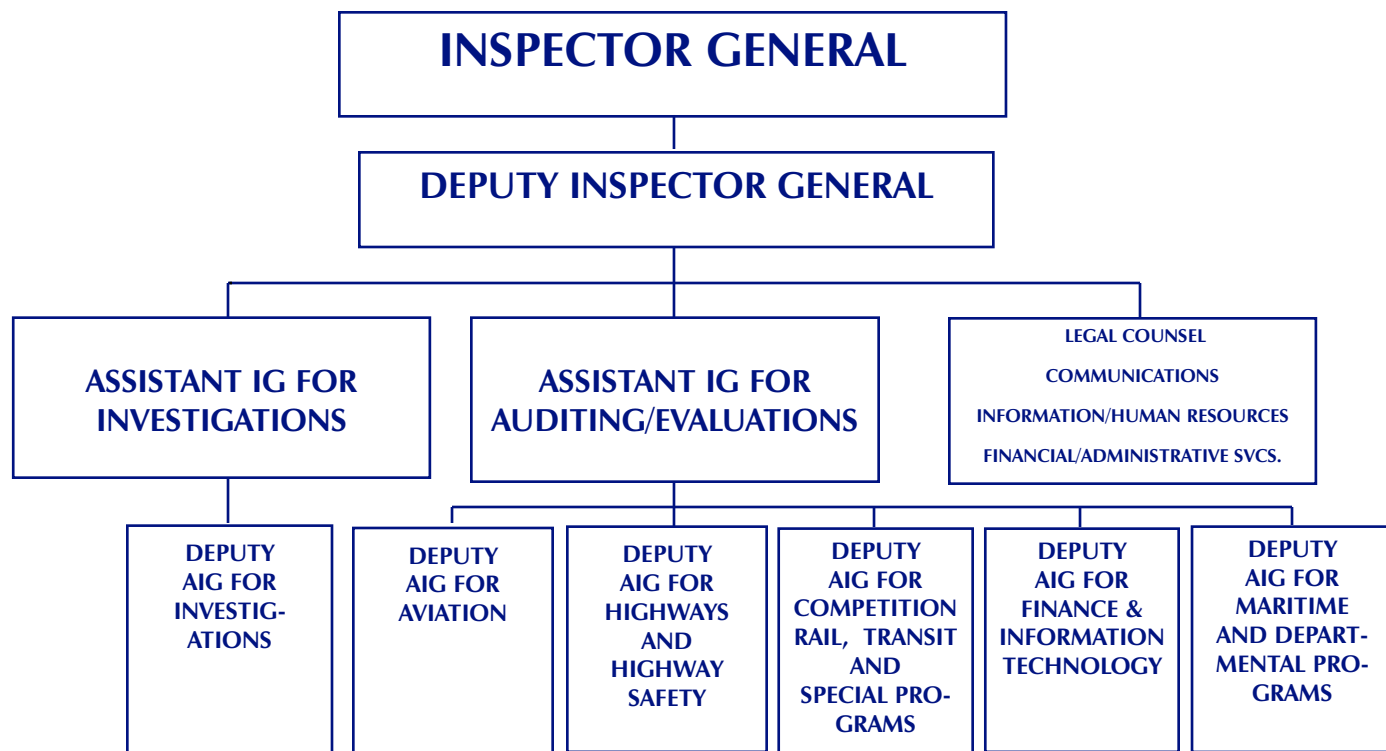
## **Major sentences in drug and stolen aircraft parts case**

Two Florida residents were sentenced on conspiracy and drug-related charges by a U.S. District Court judge in Miami. Joan Pereira must serve a 7-year, 3-month term and Orlando Hernandez must serve 2 years and 4 months for conspiracy to transport stolen aircraft parts across state lines and possession, with intent to distribute, of cocaine, crack cocaine, and marijuana. Michael Malagon also pleaded guilty to the same charges. Hernandez and Pereira will serve 3 years' supervised release after confinement.



# Organization/Management

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The Office of Inspector General for the Department of Transportation was created by Congress through the Inspector General Act of 1978 (Public Law 95-452). The Act sets several goals for OIG:

- To conduct or supervise objective audits and investigations of DOT's programs and operations;
- To promote economy, effectiveness and efficiency within DOT;
- To prevent and detect fraud, waste, and abuse in the Department's programs;
- To review existing and proposed laws or regulations affecting the Department and make recommendations about them, and
- To keep the Secretary of Transportation and Congress fully informed about problems in Departmental programs and operations.

OIG is divided into two major units and five support units. The major units are the Office of Assistant Inspector General for Auditing/Evaluations and the Office of Assistant Inspector General for Investigations; each has headquarters staff and regional staff. The support units are the Office of Legal Counsel, the Communications Office, the Office of Information Resource Management, the Office of Human Resources, and the Office of Financial and Administrative Services.

## Completed Audits October 1, 1999-March 31, 2000 (Dollars in Thousands)

Estimated Amounts\*

Type of Review	No. of Reports	No. of Recomm.	Costs Questioned	Costs Un- Supported	Funds to Better Use
<i>Internal Audits:</i>					
Program/Functional	33	80	\$ 0	\$ 0	\$ 137,600
Chief Financial Officer					
Financial Statements:	5	5	\$ 0	\$ 0	\$ 622,000
<b>Total Internal Audits</b>	<b>38</b>	<b>85</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 759,600</b>
<i>Grant Audits:</i>					
Audits of Grantees under Single Audit Act	37	74	\$ 339	\$ 0	\$ 0
Other Grant Audits	0	0	\$ 0	\$ 0	\$ 0
<b>Total Grant Audits</b>	<b>37</b>	<b>74</b>	<b>\$ 339</b>	<b>\$ 0</b>	<b>\$ 0</b>
<i>Contract Audits:</i>					
Contracts	0	0	\$ 0	\$ 0	\$ 0
<b>Total Contract Audits</b>	<b>0</b>	<b>0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>TOTALS</b>	<b>75</b>	<b>159</b>	<b>\$ 339</b>	<b>\$ 0</b>	<b>\$ 759,600</b>

\* The dollars shown are the amounts reported to management. The actual amounts may change during final resolution.

Department of Transportation programs and operations are primarily carried out by the Department's own personnel and recipients of federal grants. Audits by DOT's Office of Inspector General, as a result, fall into 3 categories: internal audits of Departmental programs and operations, audits of grant recipients, and reviews of work and spending by contractors. The table above shows OIG's results in the 3 categories for the 6 months covered by this report.



# Management Decisions Regarding Audit Recommendations

(Dollars in Thousands)

Description	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported Costs*	Funds to be Put to Better Use
Unresolved as of 10/1/99	31	105	\$5,629	0	\$ 680,202
Audits with Findings During Current Period	56	159	\$ 339	0	<u>\$ 759,600</u>
Total to be Resolved	87	264	\$5,968	0	<u><b>\$1,439,802</b></u>
Mgt. Decisions: A.Audits Prior Period	23***	68	\$5,629	0	\$678,500
B.Audits Current Period	31***	85	\$ 64	0	\$623,600
Total Resolved Reports/Recommendations	54	153	\$5,693	0	\$1,302,100
Unresolved as of 3/31/00**	39	111	\$ 276	0	<u><b>\$137,702</b></u>
Aging of Unresolved Audits:					
Less than 6 mos. old	29	74	\$ 276	0	\$136,000
6 mos. - 1 year	7	27	0	0	\$ 0
1 year - 18 mos.	3	10	0	0	\$ 1,702
18 mos. - 2 years	0	0	0	0	\$ 0
Over 2 years old	0	0	\$ 0	0	\$ 0
<b>TOTALS</b>	39	111	<b>\$ 276</b>	<b>0</b>	<u><b>\$137,702</b></u>

\*Unsupported costs included with the figure shown as questioned costs.

\*\*\*Includes some reports and recommendations where costs were both allowed and disallowed

\*\* Considered unresolved if management decisions have not been made on all report recommendations.

# Audit Reports with Recommendations That Questioned Costs

(Dollars in Thousands)

	Number of Reports	Number of Recommendations	Questioned Costs	Unsupported* Costs
A. For which no management decision had been made by start of the reporting period	10	14	\$ 5,629	\$ 0
B. Which were issued during the period	18	26	\$ 339	\$ 0
Totals (A+B)	28	40	\$ 5,968	\$ 0
C. For which a management decision was made during the reporting period	16	23	\$ 5,693	\$ 0
(i) dollar value of disallowed costs	10**	11***	\$ 6,269****	\$ 0
(ii) dollar value of costs not disallowed	12**	17***	\$ 1,204	\$ 0
D. For which no management decision has been made by the end of the reporting period	12	17	\$ 276	\$ 0

\*Unsupported costs are also included in the figures shown as questioned costs. \*\* Includes reports in which costs were both allowed and disallowed. \*\*\* Includes recommendations in which costs were both allowed and disallowed. \*\*\*\*Management committed to an amount greater than that recommended.

The Inspector General Act requires explanations of reasons for significant revisions to management decisions made during the reporting period. OIG follows up on audits reported in earlier semiannual reports. During this reporting period, there were no significant revisions of Departmental management decisions reported to OIG.

The Inspector General Act also requires this report to describe any significant management decision with which the Office of Inspector General disagrees. At the close of this reporting period, there were no significant management decisions with which OIG disagreed.

## Audit Reports with Recommendations that Funds be Put to Better Use

(Dollars in Thousands)

	Number of Reports	Number of Recommend- ations	Dollar Value (in thousands)
A. For which no management decision had been made by the commencement of the reporting period	3	3	\$ 680,202
B. Which were issued during the reporting period	4	4	\$ 759,600
<b>TOTALS (A+B)</b>	<b>7</b>	<b>7</b>	<b>\$ 1,439,802</b>
C. For which a management decision was made during the reporting period	4	4	\$1,302,100
(i) dollar value of recommendations that were agreed to by management:	4*	4*	\$1,302,100
(ii) dollar value of recommendations that were not agreed to by management	0*	0*	\$ 0
D. For which no management decision had been made by the end of the reporting period	3	3	\$ 137,702
*May include reports and recommendations in which some costs were allowed and others were disallowed.			

## Audit Reports Recommending Changes for Safety, Economy or Efficiency

	Number of Reports	Number of Recommendations
A. For which no management decision had been made by the commencement of the reporting period	29	88
B. Which were issued during the reporting period	52	129
TOTALS: (A + B)	81	217
C. For which a management decision was made during the reporting period	45	126
D. For which no management decision has been made by the end of the reporting period	36	91

## Status of Unresolved Audit Recommendations Over 6 Months Old

### CITED IN SEMIANNUAL REPORT FOR OCTOBER 1, 1998-MARCH 31, 1999

State Safety Oversight Program for Rail Systems	TR-1999-071	03/12/99	Will resolve when FTA provides target dates for implementation
Motor Carrier Program for Commercial Trucks at U.S. Borders	TR-1999-034	12/28/98	Unresolved issues under review by the Office of the Secretary
Deployment of EDS, FAA	AV-1999-001	10/05/98	Working with FAA to resolve all open issues

### CITED IN SEMIANNUAL REPORT FOR APRIL 1, 1999-SEPTEMBER 30, 1999

Safety Issues Concerning Alliances and Code-Share Agreements	AV-1999-138	9/29/99	Working with FAA to resolve all open issues
Independent Assessment of Amtrak	CE-1999-116	7/21/99	Working with Amtrak to resolve all open issues
Carson City, NV	QC-1999-110	6/25/99	Will resolve during third quarter of FY 2000
Motor Carrier Safety Program	TR-1999-091	4/26/99	Working with FMCSA to resolve all open issues

## Profile of Pending Investigations

DOT Operating Administration	Number of Cases	Types of Cases					
		Contracts/ Grants	Aviation Safety	Truck/Bus Safety	HazMat	Employees	Other
Federal Aviation Administration	189	20	68	0	19	30	52
Federal Highway Administration	96	44	0	0	0	7	45
Federal Motor Carrier Safety Administration	89	0	0	60	24	1	4
U.S. Coast Guard	40	12	0	0	13	9	6
Federal Transit Administration	23	19	0	0	0	0	4
Research and Special Programs Administration	18	2	0	0	15	0	1
Office of the Secretary	11	3	0	0	0	4	4
Maritime Administration	8	3	0	0	0	0	5
National Highway Traffic Safety Administration	11	0	0	0	0	5	6
Federal Railroad Administration	5	2	0	0	0	0	3
Saint Lawrence Seaway Development Corp.	0	0	0	0	0	0	0
Other agencies	1	0	0	0	0	1	0
<b>TOTALS:</b>	<b>491</b>	<b>105</b>	<b>68</b>	<b>60</b>	<b>71</b>	<b>57</b>	<b>130</b>
<b>Percent of total:</b>		<b>21%</b>	<b>14%</b>	<b>12%</b>	<b>14%</b>	<b>12%</b>	<b>26%</b>

**Investigations  
Judicial Actions  
October 1 1999-March 31, 2000**

Indictments	140
Convictions	140
Years Sentenced	59
Years Probation	223
Supervised Release	58
Fines	\$24,506,200
Restitutions/Civil Judgments	\$3,081,790
Federal Recovery	\$31,992
State Recovery	\$792,259
<b>TOTAL</b>	<b>\$28,412,241</b>

OIG investigations in this reporting period spurred \$28,412,241 in recoveries including fines, restitution, civil judgments or settlements, and federal and state recoveries. Federal recoveries go to the U.S. Treasury. State recoveries are retained by the states.

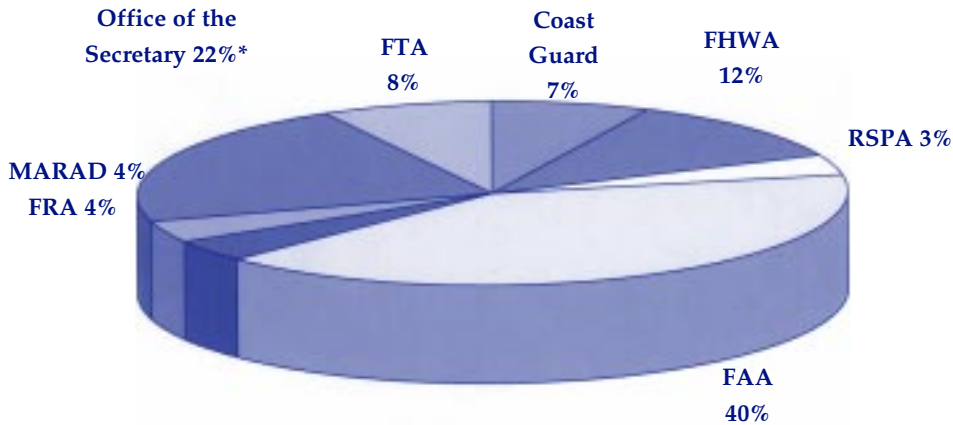
The 6 months covered by this report opened with a pending caseload of 412. During the period, 131 cases were opened and 96 were closed, leaving a pending caseload of 491.

During the period, 126 cases were accepted for prosecution, while 14 were declined. The number of cases pending before prosecutors as of March 31, 2000 was 87.

**Investigations  
Administrative Actions  
October 1, 1999-March 31, 2000**

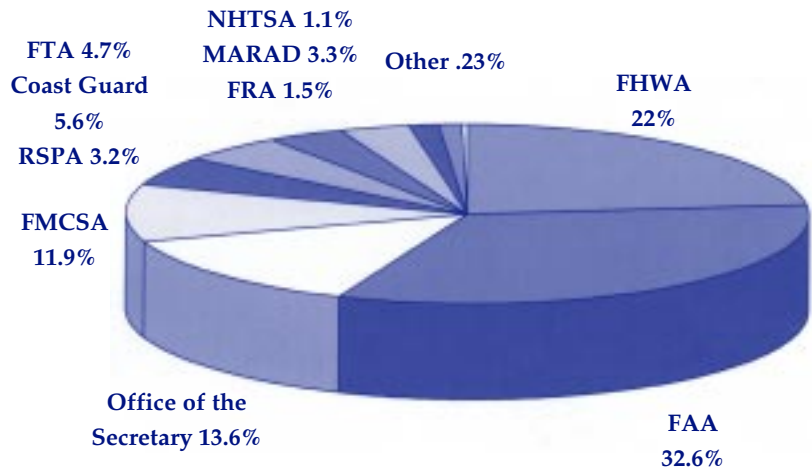
Employee Suspensions	1
Employee Resignation/Retirement	4
Employee Terminated	4
Employee Reprimand	5
Employee Counseled	8
Debarments/Suspensions	7
Other Corrective Action	18
Regulation/rule revised	1
<b>TOTAL</b>	<b>48</b>

## Application of Audit Resources by Operating Administration

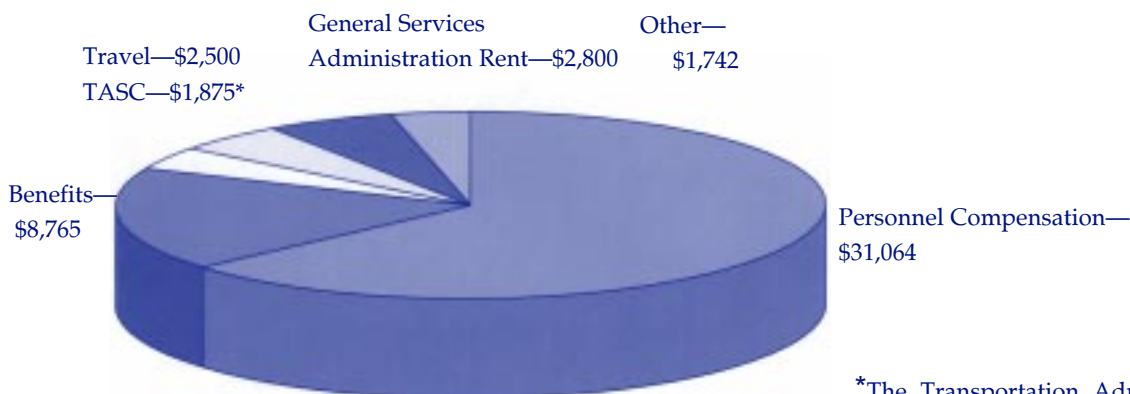


\*A substantial portion of this percentage reflects OIG's work auditing the Department's Consolidated Financial Statements, which includes work at FAA, FHWA, the U.S. Coast Guard and other operating administrations

## Application of Investigative Resources by Operating Administration



## OIG Fiscal Year 2000 Budget



(Dollars in Thousands)

\*The Transportation Administrative Service Center provides reimbursable services to DOT operating administrations.



## **The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century: New Safeguards Against Counterfeit and Defective Aircraft Parts**

On April 7, 2000 the President signed H.R. 1000, the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR 21), into law (Public Law 106-181). This important legislation, which reauthorizes the programs and operations of the Federal Aviation Administration, also contains several provisions recommended to Congress by the Inspector General and supported by the Secretary.

To combat the danger posed by counterfeit or defective parts in U.S. civil, public, and military aircraft and spacecraft, Congress incorporated the "Aircraft Safety Act," which provides tough new civil and criminal penalties for trafficking in suspect parts. It also will help prevent offenders from reentering the commercial marketplace, and allows destruction of defective parts stockpiles. This measure will give law-enforcement authorities a potent weapon to protect the safety of the traveling public. This effort is the culmination of a 3-year interagency task force comprised of the FBI, the Department of Defense, the Customs Service, the National Aeronautics and Space Administration, the FAA, and OIG.

To maintain full confidence in the objectivity and integrity of the new FAA Acquisition-Management System, Congress subjected FAA to the provisions of the Procurement Integrity Act (41 U.S.C. 423). This law imposes restrictions on the conduct of business and information disclosed between federal employees and government contractors. Specifically, it subjects employees and contractors to certain criminal, civil, and administrative penalties if contractor bid, proposal, or source selection information is exchanged for anything of value or results in a competitive advantage in the award of a federal contract.

Finally, the new law also ensures that FAA employees have "whistleblower" protection, through investigation and enforcement by the Office of Special Counsel, to prevent retaliation for disclosure of information pertaining to waste, fraud, or abuse. Additionally, the law provides FAA employees with recourse to the Merit Systems Protection Board (MSPB) to contest certain adverse personnel actions.

# Office of Inspector General

## Audit Reports

### October 1, 1999-March 31, 2000

#### FEDERAL AVIATION ADMINISTRATION

##### INTERNAL AUDITS - 7 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
FE-2000-060	02/29/00	Fiscal Year 1999 Financial Statements	Improve financial data
FE-2000-058	02/28/00	Property, Plant and Equipment	\$622,000,000 better use
AV-2000-042	02/04/00	Status of HOST Replacement Program	Modernize National Airspace
AV-2000-028	12/21/99	Management of Software-Intensive Acquisitions for Free Flight Phase 1	Modernize National Airspace
FE-2000-024	12/17/99	Cost and Flight Data for Aircraft Overflights	Improve financial data
AV-2000-017	11/18/99	Airport Access Control	Improve Aviation Security
AV-2000-002	10/21/99	Follow-up Audit of Deployment of Explosives-Detection Equipment	Improve Aviation Security

##### GRANT AUDIT - POST-AWARD - 9 reports

QC-2000-061	02/29/00	Wayne County, MI	Improve grantee oversight
QC-2000-044	02/09/00	City of Syracuse, NY	Improve grantee oversight
QC-2000-040	02/02/00	State of Hawaii DOT, Airports Division	Improve grantee oversight
QC-2000-032	01/05/00	Department of Airports of the City of Los Angeles	Improve grantee oversight
QC-2000-030	12/28/99	Port of Oakland, CA	Improve grantee oversight
QC-2000-023	12/10/99	Republic of Palau National Government	Improve grantee oversight
QC-2000-009	10/26/99	Williams Gateway Airport Authority	Improve grantee oversight
QC-2000-005	10/25/99	City of Bisbee, AZ	Improve grantee oversight
QC-2000-003	10/20/99	Metropolitan Nashville Airport Authority	\$25,885 questioned

##### OTHER - 4 reports

AV-2000-072	03/21/00	FAA FY 2001 Budget Request	Testimony before Congress
AV-2000-070	03/21/00	FAA Aviation Security	Testimony before Congress
AV-2000-054	02/17/00	FAA FY 2000 Research, Engineering and Development	Testimony before Congress
AV-2000-039	02/03/00	FAA Structure and Reform	Testimony before Congress

## FEDERAL HIGHWAY ADMINISTRATION

### INTERNAL AUDITS - 5 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
FE-2000-056	02/28/00	FY 1999 Financial Statements, Highway Trust Fund	Improve financial data
FE-2000-053	02/14/00	Duplicate Payments	\$1,600,000 recovery
TR-2000-050	02/10/00	Current Costs and Funding for the Central Artery Project	Ensure complete reporting
TR-2000-043	02/04/00	Baseline Reviews of Four Highway/Transit Megaprojects	Independent oversight
TR-2000-004	10/22/99	Review of the Alameda Corridor Project	Specify funding risks

### GRANT AUDIT - POST-AWARD - 15 reports

QC-2000-074	03/31/00	City of Miles City	\$10,886 questioned
QC-2000-051	02/14/00	State of Delaware	Improve grantee oversight
QC-2000-048	02/09/00	State of Indiana	Improve grantee oversight
QC-2000-047	02/09/00	Commonwealth of Kentucky	\$24,000 questioned
QC-2000-046	02/09/00	National Institute for Environmental Renewal	Improve grantee oversight
QC-2000-036	01/27/00	New Mexico Highway and Transportation Department	\$20,247 questioned
QC-2000-034	01/10/00	State of Tennessee	Improve grantee oversight
QC-2000-033	01/10/00	State of Minnesota	Improve grantee oversight
QC-2000-031	12/28/99	State of Illinois, Department of Transportation	Improve grantee oversight
QC-2000-027	12/21/99	City of New York	Improve grantee oversight
QC-2000-022	12/10/99	Town of Hamden, Connecticut	Improve grantee oversight
QC-2000-019	11/09/99	Cass County	\$25,781 questioned
QC-2000-016	11/15/99	City of San Pablo	\$52,013 questioned
QC-2000-012	10/29/99	State of New Jersey	Improve grantee oversight
QC-2000-006	10/25/99	ATA Foundation Affiliates	\$91,576 questioned

## FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION

### INTERNAL AUDITS - 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
TR-2000-013	11/04/99	Mexico-Domiciled Motor Carriers	Ensure statutory compliance

## FEDERAL RAILROAD ADMINISTRATION

### INTERNAL AUDITS - 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
RT-2000-020	12/14/99	Amtrak's High-Speed Rail Electrification Project	Improve oversight

### OTHER - 3 reports

CE-2000-068	03/21/00	Amtrak's Financial Outlook	Testimony before Congress
CE-2000-055	02/22/00	Amtrak's Financial Outlook	Testimony before Congress
CE-2000-010	03/21/00	Amtrak's Financial Outlook	Testimony before Congress

## MARITIME ADMINISTRATION

### INTERNAL AUDITS - 1 report

MA-2000-067	03/10/00	Report on the Program for Scrapping Obsolete Vessels	Alternate approaches needed
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## OFFICE OF THE SECRETARY OF TRANSPORTATION

### INTERNAL AUDITS - 4 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
FE-2000-062	03/08/00	Fiscal Year 1999 Consolidated Financial Statements	Improve financial data
CE-2000-026	12/22/99	Top 12 Management Issues	Improve management oversight
MA-2000-015	11/05/99	Cost Allocations by the Transportation Administrative Service Center	Improve business practices
FE-2000-014	11/04/99	Year-2000 Readiness of the Financial Sector -- Domestic, International	Enhance readiness

### OTHER -- 3 reports

FE-2000-071	03/22/00	Program Data Quality	Testimony before Congress
TW-2000-064	03/07/00	Management Oversight Issues	Testimony before Congress
FE-2000-059	02/28/00	Motor Carrier Safety	Testimony before Congress

## UNITED STATES COAST GUARD

### INTERNAL AUDITS - 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
FE-2000-041	02/03/00	Actuarial Estimates for Retired Pay and Medical Benefits	Financial oversight

### OTHER - 3 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
MA-2000-066	03/15/00	Deepwater Capability Replacement Project	Testimony before Congress
MA-2000-065	03/09/00	Deepwater Capability Replacement Project	Testimony before Congress
MA-2000-057	03/01/00	Deepwater Capability Replacement Project	Improve project management

## FEDERAL TRANSIT ADMINISTRATION

### INTERNAL AUDITS - 2 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS</u>
RT-2000-073	13/24/00	Los Angeles Metro Rail Red Line	\$76,000,000 better use
RT-2000-025	12/21/99	St. Clair Light Rail Extensions, St. Louis, MO	\$60,000,000 better use

### GRANT AUDITS -- POST-AWARD - 12 reports

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
QC-2000-075	03/27/00	Central Florida Regional Transportation Authority	Improve grantee oversight
QC-2000-052	02/14/00	Massachusetts Bay Transportation Authority	Improve grantee oversight
QC-2000-049	02/09/00	Transportation and Motor Buses for Public Use Authority	Improve grantee oversight
QC-2000-045	02/09/00	City of Columbia	Improve grantee oversight
QC-2000-037	02/01/00	Milford Transit District	\$77,062 questioned
QC-2000-035	01/02/00	Los Angeles County Metropolitan Transit Authority	Improve grantee oversight
QC-2000-029	12/28/99	Kleberg County, TX	\$12,000 questioned
QC-2000-021	12/13/99	Metropolitan Transit Authority of Harris County, PA	Improve grantee oversight
QC-2000-018	11/22/99	City of El Paso, TX	Improve grantee oversight
QC-2000-008	10/25/99	CTTransit	Improve grantee oversight
QC-2000-007	10/25/99	Suburban Mobility Authority for Regional Transportation	Improve grantee oversight
QC-2000-001	10/20/99	Greater Attleboro-Taunton Regional Transit Authority	Improve grantee oversight

### OTHER - 1 report

RT-2000-063	03/07/00	Transportation Investment Project Management/Oversight	Testimony before Congress
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## NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

### INTERNAL AUDITS - 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS:</u>
QC-2000-011	10/29/99	City of Savannah, GA	Improve grantee oversight

## RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

### INTERNAL AUDITS -- 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS</u>
RT-2000-069	03/13/00	Pipeline Safety Program	Improve OPS inspections

## ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

### INTERNAL AUDITS -- 1 report

<u>REPORT</u>	<u>DATE</u>	<u>SUBJECT</u>	<u>FOCUS OF REPORT/ RECOMMENDATIONS</u>
QC-2000-038	02/01/00	Quality Control Review of FY 1999 Audited Financial Statements	Financial oversight

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